

AR68

ANNUAL REPORT

99

INMET
MINING

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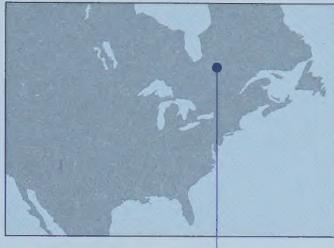
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HIGHLIGHTS



ÇAYELİ

Metal: Copper/zinc
Interest: 49 per cent
Location: 20 kilometres east of Rize
on the Black Sea coast,
northeastern Turkey



TROILUS

Metal: Gold/copper
Interest: 100 per cent
Location: 175 kilometres north
of Chibougamau,
northwestern Quebec



OK TEDİ

Metal: Copper/gold
Interest: 18 per cent
Location: Star Mountains Region,
Papua New Guinea

OPERATING HIGHLIGHTS

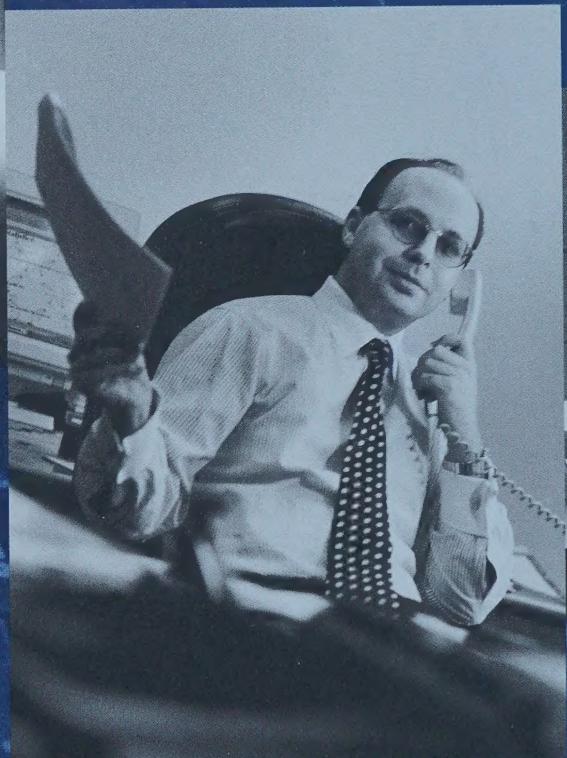
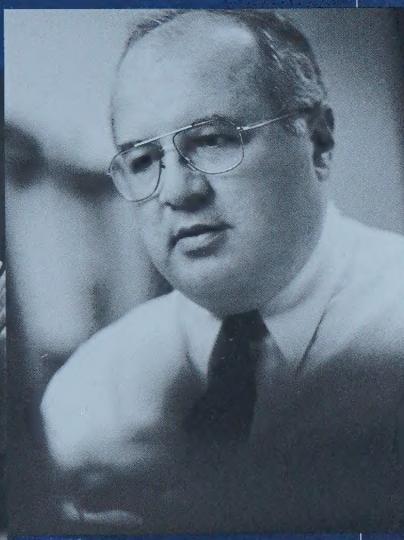
	1999	1998	1997
Copper			
Production (tonnes) (1)	58,800	46,000	41,000
Cash cost (U.S.\$ per pound)	\$ 0.49	\$ 0.49	\$ 0.56
Total cost (U.S.\$ per pound)	\$ 0.64	\$ 0.65	\$ 0.68
Gold			
Production (ounces) (1)	246,800	234,500	204,900
Cash cost (U.S.\$ per ounce)	\$ 231	\$ 245	\$ 259
Total cost (U.S.\$ per ounce)	\$ 241	\$ 251	\$ 332

(1) Inmet's share.

FINANCIAL HIGHLIGHTS

(in thousands)	1999	1998	1997
Financial results			
Sales	\$ 116,602	\$ 105,591	\$ 141,262
Earnings (loss) from continuing operations	\$ 39,452	\$ (16,361)	\$ (198,958)
Net income (loss)	\$ 39,452	\$ 31,038	\$ (185,502)
Per share (2)	\$ 0.90	\$ 0.25	\$ (2.00)
Cash flow provided by operating activities, before reclamation	\$ 29,492	\$ 10,994	\$ 621
Per share (2)	\$ 0.77	\$ 0.13	\$ 0.01
Financial position (December 31)			
Cash and short-term investments	\$ 93,458	\$ 173,135	\$ 293,591
Working capital	\$ 111,952	\$ 137,432	\$ 327,210
Long-term debt	\$ 26,768	\$ 36,465	\$ 27,158
Reclamation and other long-term liabilities	\$ 64,569	\$ 84,857	\$ 106,038
Shareholders' equity	\$ 193,513	\$ 256,252	\$ 599,908
Common shares outstanding	38,337	38,337	103,432

(2) Calculated using weighted average shares outstanding for the year.



OUR SENIOR MANAGEMENT TEAM:

A new senior management team was put in place January 1, 2000. Their mandate is to provide superior returns to shareholders through the implementation of the Inmet growth strategy.

From right to left:

William James, Chairman of the Board

Richard A. Ross, President and Chief Executive Officer

Peter C. Rozee, Vice-President, Corporate Affairs

Jochen E. Tilk, Vice-President, Operations

Scott A. Oen, Vice-President, Finance and Chief Financial Officer

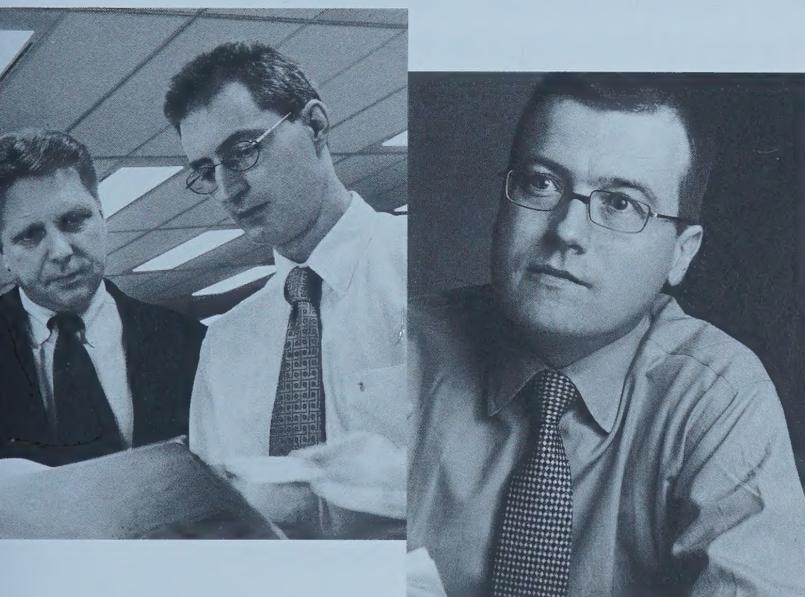
Oliver R. E. Merton, Vice-President, Commercial

Frank Balint, Vice-President, Corporate Development

Jo-Anne Sayers, Vice-President, Controller

MESSAGE TO SHAREHOLDERS

In 1999, our primary focus was on enhancing the value of our existing asset base and positioning Inmet for future growth. We met the objectives we established in this regard.



1999 YEAR HIGHLIGHTS

- ▶ At our Troilus gold mine in northern Quebec, mill throughput was successfully increased by over 30 per cent through the addition of an innovative screening and crushing process. As a result, average cash costs of production decreased to U.S.\$231 per ounce in 1999 compared to U.S.\$245 in 1998. The success of this expansion has ensured the future viability of this mine.
- ▶ At Çayeli, our copper and zinc mine on the Black Sea coast of Turkey, we confirmed the feasibility of expanding mill throughput to one million tonnes. In addition, through further diamond drilling, additional resources at depth were converted into reserves. These two important results will ensure that Çayeli remains a long life operation with cash costs below the industry median.
- ▶ We made significant progress on reclamation at various sites and, as a result, we were able to reduce our estimate of closure liabilities by \$20 million. In addition, the risks associated with our closure obligations have been substantially reduced through an insurance policy which essentially caps our future spending on reclamation projects at Copper Range, Norbec and Winston Lake at \$30 million.

- ▶ We completed the sale of a number of non-core assets in 1999. We sold our remaining 10 per cent interest in Norddeutsche Affinerie AG for \$52 million. In addition, we sold our 20 per cent interest in the Navachab joint venture for \$5 million, and our one-third interest in Eurogold for \$24 million plus a contingent payment of \$17 million. These transactions generated a net after tax gain of \$4 million. This substantially completes our asset sales program, which focused on the sale of minority interests.
- ▶ Financially, the year was also a success with net profits of \$39.5 million or \$0.90 per share. Operating cash flow, before reclamation activities, was \$29.5 million or \$0.77 per share. We also repaid in cash our \$125 million convertible debenture which was due in 1999. At year end our consolidated cash balance was \$93.5 million.

These positive accomplishments were overshadowed by the disappointing news from Ok Tedi of new environmental studies suggesting that the effects of the mine on the environment will be more extensive than previously predicted. Although these new studies are the most comprehensive analysis yet of the environmental impact of this mine, there is still much uncertainty given the complexity of the Ok Tedi and Fly River ecosystems. What is certain is the substantial economic and social benefits that this mine provides to Papua New Guinea. Although scientific studies will continue, the focus in 2000 will turn to discussions with governments and local landowners on compensation arrangements, long-term development of infrastructure and an agreement on the future operating arrangements for Ok Tedi.

2000 AND THE WAY FORWARD

Growth

Now that we have completed a significant restructuring of Inmet, our focus has turned to growth. Inmet has the operational base, management expertise and financial capability to build on its existing asset base and strong balance sheet. Inmet's growth strategy is simple:

To grow as a base metal mining company providing superior returns to shareholders

This strategy recognizes our competitive advantage in relation to identifying, developing and operating certain base metal deposits. Specifically, the properties we will focus on offer excellent potential for low cost copper and zinc production, while providing superior returns on invested capital.

Geographically, we will be proactively seeking opportunities in the Americas, Australia and Europe. We believe that, to maximize the return on investments, new mine developments must be established where infrastructure is well developed and the political environment accepts mining as a core industry.

We will only consider opportunities where we can add value. These could be where we identify the potential to expand reserves or make significant operational improvements, or where we are an advantaged buyer and do not have to pay full value. What is clear to us, based on past experience, is that the ability to realize value is often highly dependent on operational control. Therefore we will concentrate on properties where we are in control or are the operator.

We will consider all stages of growth opportunities, from the continuation of our exploration program through to the acquisition of an operating mine or entering into a corporate merger. The current round of consolidation in the base metal industry may present a variety of opportunities which we will carefully consider. We are also focused on achieving nearer-term results and have put in place the organization and network of contacts to increase the likelihood of success.

Operations

We will also work on continual improvement of our existing operations to maximize their value.

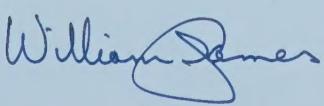
- ▶ At Troilus, we expect that as we temporarily shift mining away from the centre of the ore body in order to expand the pit to its ultimate dimensions, gold grades will drop and the waste to ore ratio will remain high. To mitigate the effect of these factors, we will focus on consistently achieving the new mill capacity of 15,000 tonnes per day and assessing and implementing as justified other measures, including improved metallurgical recoveries and cost reductions through expert systems. Also, in response to low gold prices, a new mine plan has been developed. This plan has a significantly lower life-of-mine waste to ore ratio which improves the economics of Troilus over its remaining mine life by requiring less up-front investment in stripping waste for gold produced at the end of the mine life.
- ▶ At Çayeli, the key operational improvement will be the expansion of the mill to reach annual throughput of one million tonnes. To accomplish this, we need to determine the capital necessary to improve the operation of the tailings line at this new rate. In addition, two key agreements will be renegotiated in 2000: the collective bargaining agreement and the renewal of Çayeli's port lease. Further exploration drilling, especially at depth, is also a priority at Çayeli as a decision is required in 2001 whether or not to deepen the existing mineshaft.
- ▶ We are also continually examining our other assets to determine if value can be realized or added. Discussions have commenced with a number of interested parties regarding the development of infrastructure in Nunavut, which could eventually pave the way for the development of Izok Lake. In addition, we understand that the development of Antamina, in which we have a 3.3 per cent net profits interest, is advancing on schedule for start up of operations late in 2001. Finally, we expect to realize part or all of the remaining payments from the sale of Eurogold which are contingent on commencement of operations at Ovaçık or on the development decision for Perama Hill.

Even though the uncertainty at Ok Tedi will continue for some time, we believe that significant value can be added in 2000 through further improvements in our existing asset base and demonstration of our ability to grow our business. The reflection of this value in our share price depends on market sentiment, among other things. Nonetheless, we believe that if management continues to focus on value creation, this value will be realized by our shareholders.

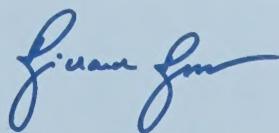
EMPLOYEES AND BOARD | Effective January 1, 2000, a number of management changes were made to carry out our growth strategy. Richard Ross was appointed President and Chief Executive Officer and Bill James took over leadership of the Board as Chairman.

In addition, we have made the decision to reduce the size of our Board in keeping with Inmet's smaller size and new focus. Tony Petrina and Harry Steele will not stand for reelection at the upcoming Annual Shareholders' Meeting. We thank them for their input and guidance over the past several years.

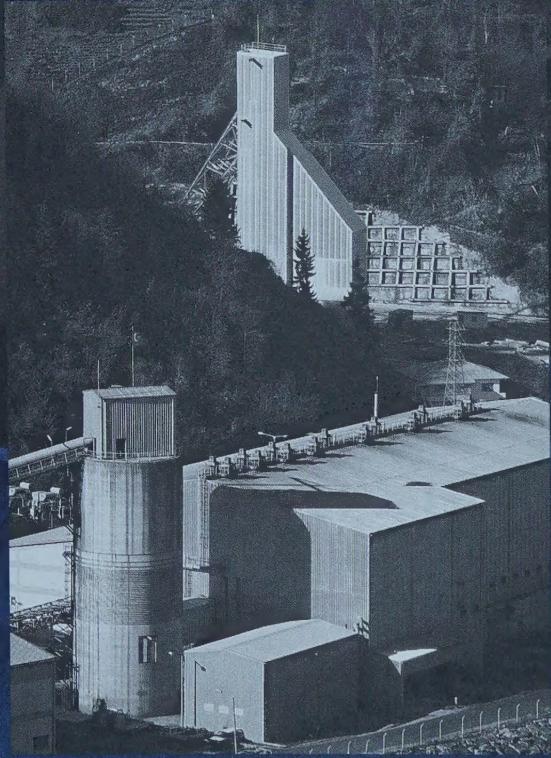
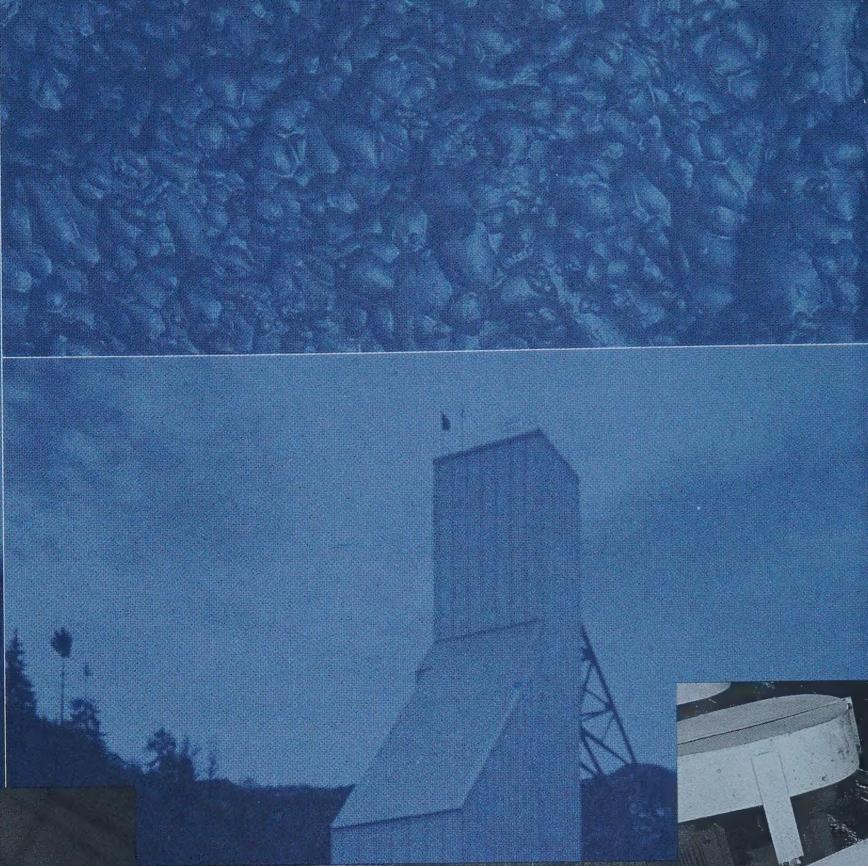
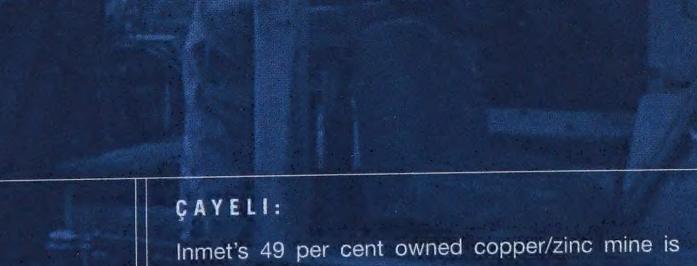
We sincerely appreciate the support and dedication of our employees during the past year. Their energy and enthusiasm in realizing Inmet's growth strategy will continue to be the key to our success. Special thanks go out to our operating management and exploration staff who live and work in remote parts of the world.



William James, Chairman of the Board



Richard A. Ross, President and Chief Executive Officer



ÇAYELİ:

Inmet's 49 per cent owned copper/zinc mine is located in northeastern Turkey on the Black Sea coast.

Above from left to right:

Çayeli employees inspecting the 275 metre deep mine shaft; Aerial view of the Çayeli mill facilities with head frame in the background; New flotation cells in the zinc circuit.

OPERATIONS

Inmet strives to enhance shareholder value by strengthening its operational performance through operating efficiencies.



ÇAYELİ | During 1999, Çayeli Bakır İşletmeleri A.S. ("Çayeli") set records for production and unit costs. Mill throughput of 897,000 tonnes was 27 per cent above 1998 throughput. 1999 average cash costs dropped to a record low of U.S.\$0.40 per pound of copper.

Operations

With the increased mill throughput and higher copper grades and recoveries, copper production improved by 23 per cent compared to annualized 1998 production. Mining grades for zinc decreased in 1999, which reduced zinc production by 16 per cent from annualized 1998 production. Zinc grades are expected to increase later in 2000 as Çayeli starts to mine above average zinc grades in the Far North zone. A portion of the Far North ore zone is included in the 2000 mine plan. Average grades in this zone are 6.5 per cent copper and 9.8 per cent zinc.

Cost efficiencies, in conjunction with the higher metal production, reduced average cash costs, net of zinc credits, from U.S.\$0.46 per pound in 1998 to U.S.\$0.40 per pound in 1999.

The replacement of flotation cells in the mill also reduced unit costs as Çayeli achieved better concentrate grade and quality for both copper and zinc, reducing treatment and freight costs per pound of recovered metal.

A paste backfill system was completed and commissioned in the third quarter of 1999. The plant combines tailings with cement to produce backfill, which is pumped to the underground workings. Previously, purchased gravel was combined with cement and trucked underground at higher cost.

OPERATING SUMMARY				
Çayeli				Troilus
Metal:	Copper/zinc	Mine Life:	12 years ⁽¹⁾	
Facilities:	Mine and mill	Employees:	386	
Mining Method:	Sublevel retreat with post filling	Ownership:	49 per cent	
Operating and Reserve Information (100 per cent)		1999	1998	1997
Proven and probable ore reserves (million tonnes)		11.6	11.0	11.4
Average copper grade (per cent)		4.3	4.8	4.3
Average zinc grade (per cent)		5.6	5.5	5.2
Inferred resources (million tonnes)		4.3	5.9	6.5
Average copper grade (per cent)		3.9	3.5	4.1
Average zinc grade (per cent)		8.0	8.3	8.1
Months in operation ⁽²⁾		12	10	12
Tonnes of ore milled (thousands)		897	708	762
Tonnes of ore milled per day		2,450	2,300	2,100
Grades (per cent)				
	Copper	5.1	4.6	4.7
	Zinc	5.3	6.6	7.0
Mill recoveries (per cent)				
	Copper	88	84	82
	Zinc	68	69	66
Concentrate production (tonnes)				
	Copper	158,000	113,400	128,900
	Zinc	64,800	65,800	71,900
Metal production (tonnes)				
	Copper	40,100	27,200	29,200
	Zinc	32,600	32,300	35,500
Cash cost per pound of copper		U.S.\$ 0.40	U.S.\$ 0.46	U.S.\$ 0.51

(1) Based on proven and probable reserves at an annual throughput of one million tonnes of ore.

(2) Çayeli was not in production for two months in 1998 due to a strike.

(3) Based on proven and probable reserves at an annual throughput of 5.5 million tonnes of ore.

Future improvements

In 1999, Çayeli completed a feasibility study confirming that mill throughput of one million tonnes per year can be achieved with modest capital investment. To achieve this production target, Çayeli is increasing its concentrate filtering capacity. Çayeli is also studying ways to address restrictions in the tailings disposal system to allow its paste backfill plant to operate at full capacity and to prepare for the planned increase in mill throughput. Drilling and development in 2000 will focus on accessing the lower part of the Çayeli ore body.

Reserves, resources and exploration

During 1999, Çayeli carried out 6,100 metres of definition drilling. As a result, ore reserves have increased by 0.6 million tonnes, after mining 0.9 million tonnes in 1999. Reserve copper grades have declined as a result of mining higher than average copper grades in 1999 and adding lower grade resources to the reserve category.

During 1999, a 150 metre long exploration drift was established on the 1040 metre level to allow drilling on the Çayeli horizon south of the current workings. Exploration drilling is currently underway from the drift.

Drilling the extension of the known resources at depth below the main deposit has not progressed as quickly as anticipated because of drilling difficulties caused by blocky ground. A different drilling technique will be pursued in 2000 to test the downward extension of the ore body.

			Ok Tedi						
Mine Life:	7 years ⁽³⁾		Metal:	Copper/gold		Mine Life:	11 years ⁽⁴⁾		
Employees:	287		Facilities:	Mine, mill, port and related facilities		Employees:	1,880		
Ownership:	100 per cent		Mining Method:	Open pit drill and blast		Ownership:	18 per cent		
	1999	1998	1997				1999	1998	1997
	38.5	49.2	45.9	Proven and probable ore reserves (million tonnes)		308.5	328.5	338.6	
	1.0	1.0	1.2	Average copper grade (per cent)		0.8	0.8	0.8	
	0.1	0.1	0.1	Average gold grade (grams/tonne)		0.9	0.8	0.8	
	12	12	12	Months in operation		12	10	7	
	3.1	3.7	3.4	Strip ratio		2.3	1.6	1.5	
	4,900	4,000	3,500	Tonnes of ore milled (thousands)		26,500	22,800	15,800	
(grams/tonne)	13,400	11,000	9,600	Tonnes of ore milled per day		73,000	74,000	72,000	
(per cent)	1.3	1.3	1.4	Grades	Copper (per cent)	0.9	0.9	0.9	
	0.1	0.1	0.2		Gold (grams/tonne)	0.8	0.9	0.7	
	86	86	86	Mill recoveries (per cent)	Copper	81	80	84	
	90	90	89		Gold	61	68	71	
(ounces)	168,400	147,000	139,900	Concentrate production (tonnes)		624,000	491,300	334,100	
(tonnes)	5,400	4,900	5,100	Metal production	Copper (tonnes)	187,900	151,600	111,500	
	U.S.\$ 231	U.S.\$ 245	U.S.\$ 259		Gold (ounces)	401,600	413,300	263,100	
				Cash cost per pound of copper		U.S.\$ 0.55	U.S.\$ 0.51	U.S.\$ 0.60	

(4) Based on proven and probable reserves at current mill throughput levels.

TROIUS | In July 1999, Troilus successfully completed an expansion of its mill. Daily mill capacity was increased from 11,000 tonnes in 1998 to more than 15,000 tonnes. To consistently achieve average daily throughput of 15,000 tonnes, further fine tuning and operational modifications will be made during 2000. As a result of increased throughput, gold production increased by 15 per cent at improved cash costs of U.S.\$231 per ounce.

Operations

Troilus implemented a number of operating improvements in the mine. Following the 1998 change from five metre to ten metre benches in the pit, productivity improved without a reduction in ore selectivity. Other positive adjustments in the mine included aligning the direction of mining with the natural angle of repose, better control over blasts and improved training.

Troilus implemented a new sampling protocol which will assist in improving grade control in the pit. The new sampling protocol uses larger samples from blast holes, which are then analyzed by a screen metallic method to better account for the coarse gold fraction in the sample. To accommodate the improved protocol, Troilus' laboratory was expanded in 1999. These measures have resulted in more representative and more precise assay results, which will improve the distinction between ore and waste in the pit.

Efforts now focus on fine tuning the mill operation and improving mill availability to consistently achieve a process rate of 15,000 tonnes per day. In addition, Troilus will explore other opportunities in the processing plant to further improve gold recoveries.

The average gold grade of ore milled in 1999 was 1.3 grams per tonne. In conjunction with the mill expansion, the cut-off grade was reduced from 0.7 to 0.65 grams of gold per tonne earlier in 1999. The waste to ore strip ratio decreased from 3.7 to 1 in 1998 to 3.1 to 1 in 1999, primarily due to the lower cut-off grade. The cut-off grade was reduced further, to 0.5 grams of gold per tonne, early in 2000.

Largely as a result of the increased mill throughput, cash operating costs in 1999 declined to U.S.\$231 per ounce of gold compared to U.S.\$245 per ounce in 1998. Troilus' earnings and unit costs include costs of waste rock removal for the future development of the pit of U.S.\$37 per ounce, compared to U.S.\$54 per ounce in 1998, which are expensed as incurred. In 1999, Troilus mined 4.9 million tonnes of ore and 15.2 million tonnes of waste.

At Troilus, Inmet is committed to sustaining the employment level of members of the Cree First Nation, who currently comprise over 25 per cent of the work force. A designated staff member acts as coordinator between the members of the Cree First Nation and Troilus' management.

Reserves, resources and exploration

In 1999, Troilus completed 23 diamond drill holes amounting to 7,129 metres of in-fill drilling and incorporated the results in an updated block model. The geologic inventory of the upgraded model did not materially change from previous versions



From left to right:

Inmet senior management looking southwest at the Troilus pit; With a diameter of 29 feet.

Troilus' SAG mill is the primary grinding mill.

of the block model. Subsequently, Troilus reviewed its life-of-mine plan and performed a series of pit optimizations based on lower assumed metal prices. Based on the optimized pit geometry, Troilus developed an improved mine plan capable of sustaining operations at lower metal prices over the life of the mine. The resulting reserves reflect a decrease of 5.8 million tonnes compared to 1998 reserves, at a much improved strip ratio of 1.3 to 1, compared to the previous ratio of 2 to 1.

Several new exploration targets were identified in the vicinity of the Troilus mine from the 1999 diamond drilling program. Follow-up drilling is planned for 2000 with the objective of testing for high grade ore zones which could support an underground operation or supplement open pit gold production at Troilus. This program is part of a major drilling effort in 2000 to discover additional reserves on the Troilus mine property.

OK TEDI | Ok Tedi Mining Limited ("Ok Tedi") operated for the full year in 1999, following a suspension of operations due to drought from August 1997 through February 1998. In 1999, Ok Tedi paid dividends to shareholders of U.S.\$47 million, of which Inmet's share was approximately \$11 million.

Operations

In 1999, mining of harder ores and reduced mill availability restricted mill throughput and gold recoveries were adversely affected by changes in ore types and blends. Gold grades declined slightly in comparison to 1998.

During the year, Ok Tedi began a major program to replace its fleet of mobile mining equipment. Two hydraulic excavators were leased to replace electric rope shovels. Additional leased equipment and capital spending of U.S.\$12 million on mobile equipment replacement during 2000 will improve equipment availability and reduce mining costs.

Environment and community relations

In 1999, Ok Tedi continued trial dredging of mine waste and other sediments from the lower Ok Tedi River at a cost of approximately U.S.\$35 million. Although analysis of the dredging trial's effectiveness has been complicated by unusual weather conditions, preliminary analysis indicates that the dredging has had a significant localized effect in the immediate vicinity of the dredge site but little effect on aggradation in the river system overall.

In mid-year, Ok Tedi released the results of extensive environmental and social studies concerning mine waste management alternatives. The studies indicate that the environmental effects of the mine are more extensive than predicted by earlier studies commissioned by Ok Tedi. In particular, the studies indicate that forest dieback caused by flooding as a result of aggradation of mine waste sediments in the Ok Tedi/Fly river system is expected to be significantly more extensive than earlier predicted. The studies conclude that none of the options for tailings management examined, including dredging and early mine closure, offers a clear solution to the environmental effects of the mine. The studies also suggest that Ok Tedi must examine changes to its mine plan and processing operations to manage copper discharges to the river system and minimize the longer term potential for acid rock drainage from mine wastes.

RESERVES & RESOURCES

Operating Properties – As at December 31, 1999

	Ore	Contained Metal (x 1000)								Inmet's Interest (per cent)
		Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	Cu tonnes	Zn tonnes	Au ounces	Ag ounces
Proven and probable reserves										
Ok Tedi	308,500	0.8	–	0.9	–	2,530	–	8,629	–	18.00
Çayeli	11,600	4.3	5.6	0.7	47.0	499	650	261	17,529	49.00
Troilus	38,500	0.1	–	1.0	1.1	36	–	1,212	1,362	100.00
Total						3,065	650	10,102	18,891	
Inmet's share						736	319	2,893	9,951	
Inferred resources										
Çayeli	4,300	3.9	8.0	–	–	168	344	–	–	49.00
Inmet's share						82	169	–	–	

Although the studies completed in 1999 are by far the most comprehensive analysis of the environmental impacts of the Ok Tedi mine to date, they make clear that much more work needs to be done to address significant scientific uncertainties arising from the enormous complexity of the river system. This work is ongoing. The Government of Papua New Guinea, which has a 30 per cent equity interest in Ok Tedi, has received from the World Bank an assessment of the studies undertaken to date. Pending its review of the scientific studies and the World Bank's report, the State has requested that Ok Tedi continue its operations, including the dredging trial, on a basis consistent with past practice.

Ok Tedi has commenced discussions with landowners from the affected areas in relation to the existing compensation arrangements with the affected communities. Ok Tedi is committed to a transparent process of consultation with all stakeholders regarding the future of the mine. Preliminary discussions with landowners and the national, provincial and local governments have indicated an increased concern regarding long-term development of infrastructure and economic activity. These discussions will continue during 2000. In 1999, Ok Tedi spent approximately U.S.\$1.6 million on local infrastructure and small business development, in addition to the U.S.\$3.5 million of compensation paid to landowners affected by the operation of the mine. These costs, as well as the costs of dredging, are included in the calculation of Ok Tedi's operating cash costs.

The significance of Ok Tedi to the economy of Papua New Guinea and its Western Province makes it imperative that these matters be addressed expeditiously. Ok Tedi is committed to determining the future direction of the operation in 2000 on a basis which addresses the concerns of all stakeholders.

Undeveloped Properties – As at December 31, 1999

	Ore Tonnes (x 1000)	Contained Metal (x 1000)						Inmet's Interest (per cent)		
		Cu %	Zn %	Au g/t	Ag g/t	Cu tonnes	Zn tonnes	Au ounces	Ag ounces	
Measured and indicated resources										
Petaquilla	1,096,500	0.5	–	0.1	–	5,263	–	3,173	–	48.00
Izok Lake	16,500	2.2	11.4	–	60.0	363	1,881	–	31,829	100.00
Total						5,626	1,881	3,173	31,829	
Inmet's share						2,889	1,881	1,523	31,829	

- ▶ Estimates of tonnes and contained metal represent 100 per cent of the property, other than the lines titled "Inmet's share".
- ▶ Contained metal figures are reported before taking into account mill recovery factors.
- ▶ Measured and indicated resources, as quoted, include appropriate dilution factors.

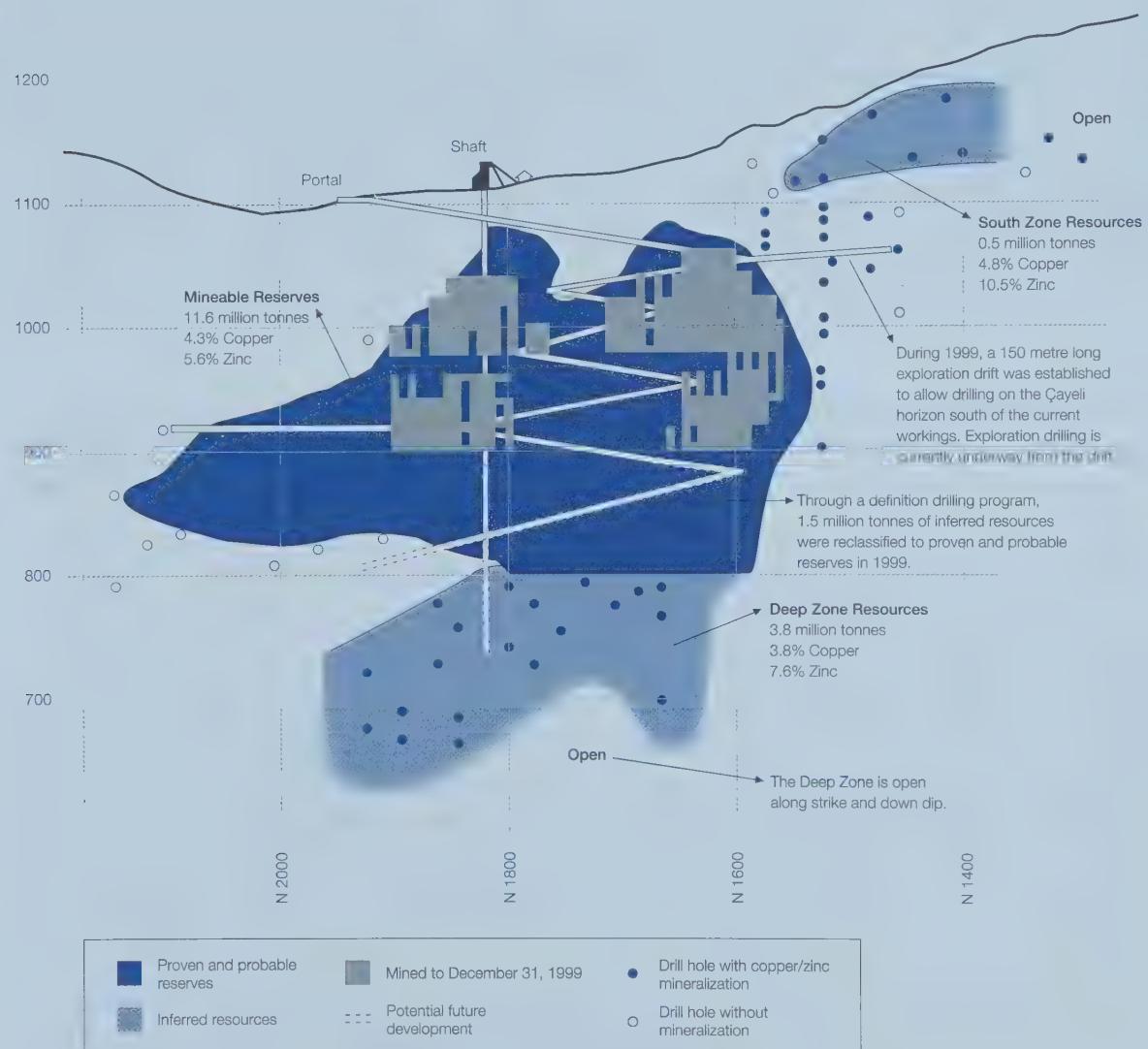
RESERVES & RESOURCES | Reserves and resources for Çayeli and Troilus were prepared by Inmet under the joint supervision of Frank Balint, P. Geol. (Vice-President, Corporate Development) and Jochen Tilk (Vice-President, Operations). Çayeli's reserves and resources have been calculated using a copper price of U.S.\$0.95 per pound and a zinc price of U.S.\$0.60 per pound and are based on a 2.5 per cent copper equivalent cut-off grade. Troilus' reserves have been calculated using a gold price of U.S.\$300 per ounce and are based on a cut-off grade of 0.5 grams of gold per tonne.

Reserves for Ok Tedi have been provided to Inmet by The Broken Hill Proprietary Company Limited ("BHP"). BHP has advised that these reserves as at December 31, 1999 have been determined by adjusting reserves calculated and certified as at May 31, 1999 in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, published by the joint ore reserves committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Australian Mining Industry Council, for production between May 31, 1999 and December 31, 1999. Inmet has not independently verified these reserves. Inmet is advised that Ok Tedi's reserves have been calculated using a copper price of U.S.\$0.90 per pound and a gold price of U.S.\$350 per ounce and are based on what is effectively a net smelter return based cut-off grade calculation which Inmet calculates is approximately equivalent to a 0.7 per cent copper equivalent cut-off grade.

Resources for Petaquilla include an assessment for mining dilution and recovery and are based on an open pit mine plan with an overall strip ratio of 1.1 to 1. The resources, which were estimated by H. A. Simons in 1998, have been calculated using a net smelter return cut-off of U.S.\$3.10 per tonne of ore at a copper price of U.S.\$1.10 per pound.

Resources for Izok Lake include appropriate mining dilution and recovery factors. The resource calculation contemplates that almost 90 per cent of the resource could be mined from an open pit with an overall strip ratio of 3.2 to 1 and the remaining resource could be mined from underground. The resources, which were estimated by Strathcona Mineral Services Limited in March 1994, have been calculated using a net smelter return cut-off of U.S.\$30 per tonne of ore at a zinc price of U.S.\$0.59 per pound and a copper price of U.S.\$0.90 per pound.

Longitudinal section of Çayeli ore body



C O R P O R A T E D E V E L O P M E N T & E X P L O R A T I O N

THE GROWTH STRATEGY

In 1999, Inmet's growth strategy was developed:

- ▶ To grow as a base metal mining company providing superior returns to shareholders.

The strategy recognizes Inmet's distinct competitive advantages in relation to identifying, developing and operating base metal properties. Specifically, Inmet proposes to focus on copper deposits which are amenable to solvent extraction and electrowinning and also on polymetallic massive sulphide ("VMS") deposits, in which Inmet has exploration and operating expertise. These deposit types offer excellent potential for low cost copper and zinc production, while providing superior returns on invested capital.

The execution of this growth strategy will involve a focus on economic return potential from the earliest stages of exploration. Deposits with high grade ore potential and good access to infrastructure have the potential to achieve superior returns.

Inmet will also evaluate advanced stage exploration properties where a zone of mineralization is already defined, to increase the likelihood of nearer-term success and more immediate value creation.

Inmet will consider acquisitions of producing mines or corporate merger opportunities using a disciplined value assessment approach, but will only consider those opportunities which can add value through expanding reserves, operational improvements or where Inmet is an advantaged buyer.

In order to provide a platform to finance base metal growth, Inmet will investigate alternatives to enhance the value of its gold production.

Although Inmet will consider opportunities at all phases of development, i.e. from grassroots exploration to operating mines, Inmet believes that in the near-term advanced exploration opportunities have the most potential to add value. These properties have a higher likelihood of successfully expanding Inmet's reserves than does grassroots exploration, and the cost of acquiring these reserves should be less than the cost of acquiring reserves at a producing mine.

EXPLORATION

While future exploration efforts will focus on base metal properties, in 2000 Inmet will drill and evaluate its existing portfolio of gold exploration opportunities to determine if further value can be created.

North America

Following encouraging results from the Troilus drilling program in 1999, exploration drilling will continue in 2000 on targets outside of the main deposit in an effort to discover additional reserves on the Troilus property.

Inmet recently completed the purchase of the Juby gold project, consisting of a mining lease and unpatented mining claims, located near Gowganda in Ontario. The Juby project encloses a large mineralized zone, which has only been partially drilled at shallow depths and remains open in all directions. Mineralization consisting of gold-bearing disseminated pyrite and quartz-carbonate veining forms a large envelope of up to 65 metres in width over at least 700 metres of strike length. The Juby zone has potential both for open pit and underground mining. A diamond drilling program has been initiated and continues in 2000.

The Joannes-Orion VMS project was optioned in early 1999. It is located 15 kilometres east of Rouyn-Noranda in the same package as the Doyon-Bousquet-Dumagami gold camp and hosts a number of felsic volcanic centres and large alteration zones indicating the presence of a VMS system. Diamond drilling was initiated in late 1999 following the completion of an extensive surface transient electromagnetic survey which outlined a number of conductors, some of which had not been properly tested in the past. The drill program is continuing into 2000.

At the Snowbank Canyon project in Nevada, a total of 10 reverse circulation holes were drilled to test jasperoid targets potentially related to sedimentary-hosted gold deposits. Results to date at Snowbank confirm the presence of a large disseminated gold system and further drilling is required.



From left to right:

Ian Morrison, an Inmet geologist, evaluating base metal prospects in western Australia; Drilling at the Tucumachay project in Peru.

South America

Exploration in Peru has focused on follow-up of targets generated by grassroots work, as well as proactive identification and evaluation of copper and gold properties. An extensive geochemical program launched in 1997 has generated at least 140 anomalous drainages, of which 74 were ranked as high priority in 1999. The result of this program, so far, is the discovery of the Almacen copper skarn system, east of Lima. Reconnaissance mapping indicates the presence of a large mineralized system, based on the scale of the skarn system exposed at surface. Further work is required to evaluate the grade and dimensions of this system. A number of other copper and gold properties have also been identified, which are currently being evaluated.

On the Tucumachay project in Peru, further surface mapping and sampling was carried out and a reverse circulation drill program of four holes was completed late in 1999. Several highly anomalous gold-bearing zones were intersected. The mineralization intersected in the drilling confirmed the presence of a sedimentary-hosted gold system; further drilling is required in 2000.

In Nicaragua, follow-up on previously defined anomalous drainage basins is underway. A total of 574 samples were taken in seven target areas, with follow-up pending on several anomalous basins. As a result of this work, a 450 square kilometre concession, the Antonio project, has been acquired. The gold mineralization identified is typical of a high sulphidation system. Mapping and sampling to define additional mineralization and drill targets continues.

In Chile, work continues to be focused on oxide copper targets. Some 60 exploration areas were assessed in a preliminary fashion throughout northern Chile, with an additional eight advanced projects reviewed as potential acquisition targets.

Australia

Late in 1999, Inmet signed a letter of intent regarding an option to explore the Woodlawn base metal property in eastern New South Wales, 200 kilometres south-east of Sydney. The Woodlawn deposit, a former producer, was 18 million tonnes at a grade of 1.7 per cent copper, 9.9 per cent zinc, 3.8 per cent lead, 80 grams of silver per tonne and 0.4 grams of gold per tonne. Several quality exploration targets on the Woodlawn property remain untested. Inmet's exploration program for 2000 will drill these targets and further exploration of the productive Woodlawn stratigraphy will be carried out.

S A F E T Y & E N V I R O N M E N T

SAFETY, HEALTH & ENVIRONMENT POLICY

It is Inmet's policy to protect life, health and the environment and to incorporate effective environmental management practices into all of its business functions.

With respect to safety, health and the environment, Inmet commits to:

- ▶ Comply with relevant safety, health and environmental legislation and adhere to standards of responsible environmental practice for the mining industry, even in the absence of legislation.
- ▶ Assess, plan, design, construct and operate projects to mitigate adverse environmental impacts, consistent with good management practices for the mining industry.
- ▶ Decommission projects in accordance with risk-based criteria and applicable regulations and permits.
- ▶ Implement and maintain safety, health and environmental management systems and hazard analyses at each Inmet operation.
- ▶ Provide every employee with a safe and healthy work environment in accordance with best management practice for the mining industry, and work toward a goal of zero injuries and occupational illnesses.
- ▶ Continuously improve our practices in safety, health and environment.
- ▶ Implement and maintain effective emergency prevention, preparedness and response systems.
- ▶ Participate with governments and other stakeholders in the formulation of safety, health and environmental legislation and policies affecting the mining industry.
- ▶ Support mining industry associations which promote research and development aimed at improving safety, health and environmental practices for the mining industry.
- ▶ Communicate this policy to our employees, the public, governments, suppliers and customers.

Each Inmet employee and each contractor retained by Inmet is responsible for adherence to the principles of this policy. The Board of Directors of Inmet will regularly review the status of compliance with this policy.

S A F E T Y | Inmet has successfully transferred North American safety standards to Çayeli's operations in northeastern Turkey. Up to July 1999, Çayeli had operated 380 days without a single lost time incident. For the full year, the lost time incident rate was 1.16 per 200,000 hours worked. An important part of Çayeli's success is weekly safety meetings for each crew and frequent workplace inspections. In 1999 alone, Çayeli conducted 1,900 safety meetings and 140 on-site inspections; as a result, medical aids dropped by 32 per cent.

A detailed risk assessment performed over the course of several months regarding the handling of sulphur dioxide is just one example of Çayeli's commitment to establish and maintain safe working environments.

The Troilus operation experienced two lost time accidents during the past year. The lost time incident rate was 0.68 per 200,000 hours worked. As part of Troilus' bonus program for all workers, safety is an important factor in an employee's bonus entitlement.

ENVIRONMENT | In 1999, Çayeli continued to improve its environmental performance. In order to minimize ground contamination with sulphide dust from ore or concentrate, Çayeli placed 13,675 square metres of concrete paving within the mine facility. An environmental consulting firm has prepared an environmental closure plan, which will allow the mine to mitigate impacts on the environment during the future years of mining. Çayeli plans to perform a follow-up environmental audit during the course of this year to continue its process of environmental improvement.

At Troilus, the water treatment plant, installed in late 1998 to control the level of suspended solids in the tailings dam effluent, operated well during 1999. Troilus also completed the installation of a new reclaim station in 1999 that allows the operation to recirculate water effluent from the processing plant. Both measures will significantly improve the water management of Troilus' tailings system, especially during spring run-off conditions.

In 1999, substantial progress was made on reclamation. Inmet's 80 per cent subsidiary, Copper Range Company ("Copper Range") in White Pine, Michigan, revegetated approximately 1,800 acres of its tailings impoundment. Substantially all surface structures have been either demolished or sold to third parties. The mill is the final sizeable building under demolition, which will be completed in 2000. The underground mine is being filled with fresh water from Lake Superior to reduce the potential for brines to enter the mine at depth. After several years of studies, the Michigan Department of Environmental Quality formally approved the Remedial Investigation Report for the entire site, effectively confirming Copper Range's assessment of the extent of the environmental impact of past mining activities.

At Norbec in Rouyn-Noranda, Quebec, the commissioning of a modern high-density sludge ("HDS") water treatment plant added significant capacity to the site's treatment requirements. Most of the demolition of the remaining buildings and site clean up of acid generating waste rock was completed in 1999.

Reclamation of the Winston Lake mine in Schreiber, Ontario commenced immediately after the decision to permanently close the operation in February 1999. To prevent future acid mine drainage, the closure plan contemplates flooding the tailings basin as a long-term remedy. Construction work to raise the tailings dam to allow flooding was completed at the end of October 1999. Demolition of all buildings has started and will be completed during 2000.

Construction projects at Samatosum, in British Columbia, have been essentially completed with the commissioning of an HDS water treatment facility. Acid rock drainage from the old mine workings and waste rock dump at Samatosum will require long-term treatment.

FINANCIAL REVIEW:

The following section provides a detailed financial analysis of Inmet's results and financial position.

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MANAGEMENT'S DISCUSSION & ANALYSIS

The following is a discussion and analysis of the consolidated financial condition and results of operations of Inmet. The discussion and analysis should be read in conjunction with the financial information included in the consolidated financial statements. The table below presents a summary of the consolidated statements of operations by source.

SUMMARY OF OPERATIONS

(millions of dollars)	1999	1998
Operations' earnings ⁽¹⁾		
Çayeli ⁽²⁾	\$ 20.1	\$ 9.1
Troilus	8.2	11.6
Ok Tedi	3.0	0.7
Other	(0.3)	(2.3)
	31.0	19.1
Exploration	(6.5)	(13.4)
General and administration	(6.2)	(9.9)
Net interest and other income (expense)	(0.9)	3.8
Income tax (expense) recovery	(1.7)	3.0
Earnings before other items	15.7	2.6
Net gain on asset sales	3.8	18.5
Reduction in provision for reclamation costs	20.0	—
Write down of mining properties	—	(37.5)
Earnings (loss) from continuing operations	39.5	(16.4)
Earnings from discontinued operations	—	16.3
Gain on sale of discontinued operations	—	31.1
Net income	\$ 39.5	\$ 31.0
Earnings (loss) per common share		
Continuing operations	\$ 0.90	\$ (0.33)
Discontinued operations	—	0.58
Net income	\$ 0.90	\$ 0.25

(1) Sales less cost of sales and amortization, except Ok Tedi which represents Inmet's 18 per cent equity accounted interest.

(2) Represents Inmet's 49 per cent joint venture interest.

Earnings before other items in 1999 were substantially improved at \$15.7 million compared with \$2.6 million in 1998. Earnings from Inmet's mining operations increased by \$11.9 million. Cost reductions, increased throughput and operating efficiencies at Çayeli and Troilus more than offset lower metals prices. Also in 1999, planned efforts to reduce exploration and general and administration expenses resulted in savings of \$10.6 million. Reduced net interest income and increased tax expenses decreased earnings by \$9.4 million.

During 1999 and 1998 non-core assets were sold for proceeds of \$80.9 million and \$313.9 million, respectively, resulting in after tax gains of \$3.8 million and \$49.6 million, respectively.

Substantial progress toward remediation of closed sites led Inmet to reduce its provision for reclamation costs by \$20 million. In addition, Inmet repaid \$125 million of convertible subordinated debentures during 1999. Inmet's cash balance was \$93.5 million as at December 31, 1999.

Sales

Inmet's controlled operations' sales by source, metal and volume were as follows:

(millions of dollars)	1999	1998
Sales by operation		
Çayeli ⁽¹⁾	\$ 43.7	\$ 29.0
Troilus	72.9	67.7
Other	—	8.9
	\$ 116.6	\$ 105.6
Sales by metal		
Copper	\$ 61.7	\$ 45.9
Gold	68.1	65.8
Zinc	25.9	38.4
Other sales	2.5	4.6
Processing and freight costs	(41.6)	(49.1)
	\$ 116.6	\$ 105.6
Sales by metal volume⁽²⁾		
Copper (tonnes)	25,000	18,800
Gold (ounces)	168,400	148,100
Zinc (tonnes)	16,000	25,700

(1) Represents Inmet's 49 per cent joint venture interest.

(2) Sales volumes do not include sales of metals from equity investments.

Both copper and gold sales increased significantly over 1998 due primarily to higher production volumes, despite lower realized metal prices. Copper production at Çayeli increased by nearly 50 per cent and gold production at Troilus improved by 15 per cent. Average copper prices realized in 1999 of U.S.\$0.76 per pound were consistent with 1998, whereas the gold price realized declined from an average of U.S.\$299 per ounce in 1998 to U.S.\$275 per ounce in 1999.

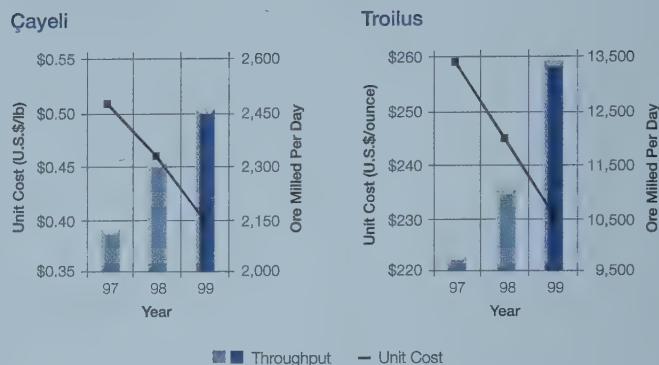
The reduction in zinc sales from 1998 reflects the shut down of the Winston Lake mine at the end of 1998.

Production growth at Çayeli and Troilus added \$27 million to sales. This was offset by \$6 million due to reduced gold prices and \$18 million from the shut down of Winston Lake. Lower processing and freight costs added \$8 million to net sales.

RESULTS OF OPERATIONS

Earnings from Inmet's operations increased significantly in 1999 in comparison to 1998. Since market factors determine the price at which Inmet can sell its products, Inmet can only directly affect profitability through productivity and cost management. Efforts during 1999 show substantial progress in improving ore throughput and productivity, enhancing profitability. The charts to the right show the trends at both Çayeli and Troilus with respect to increased throughput and decreased unit costs by year. As discussed below, these historical improvements are not necessarily indicative of future performance.

2000 Outlook – Sales at Çayeli are expected to rise with increased production following a further mill expansion. At Troilus, lower grades encountered during the pit expansion will decrease gold production and sales.



Çayeli (Inmet's 49% share)

	Copper		Zinc		Other		Total	
	1999	1998	1999	1998	1999	1998	1999 ⁽¹⁾	1998 ⁽¹⁾
Sales analysis								
Sales (tonnes)	19,600	13,300	16,000	15,800				
Prices (U.S.\$/lb)	\$ 0.76	\$ 0.75	\$ 0.49	\$ 0.45				
Total sales ⁽¹⁾	\$ 48.7	\$ 32.6	\$ 25.9	\$ 23.1	\$ 1.0	\$ 1.2	\$ 75.6	\$ 56.9
Processing charges							(31.9)	(27.9)
Net sales							43.7	29.0
Cost analysis								
Mill throughput (tonnes)	439,400	346,900						
Direct cash costs (U.S.\$/tonne)	\$ 31.62	\$ 31.00					(20.7)	(16.0)
Costs incurred during strike							–	(1.8)
Non-cash costs ⁽²⁾							(2.9)	(2.1)
Operating costs							(23.6)	(19.9)
Operating earnings							\$ 20.1	\$ 9.1
Cash flow from operations							\$ 17.5	\$ 9.3

(1) Millions of Canadian dollars.

(2) Includes amortization and other non-cash costs.

In 1999, operating earnings and cash flows from Çayeli approximately doubled compared to 1998. Net sales were positively affected by both the increase in production and higher zinc prices. In addition, decreased processing charges, on a unit basis, further improved net sales.

Operating costs during 1999 were \$3.7 million higher than 1998, reflecting higher production levels. Direct costs per tonne of ore milled were essentially unchanged.

On January 6, 2000, a ball mill failure decreased mill throughput by 45 per cent for a four week period. Insurance coverage mitigated lost profits during the period.

2000 Outlook – Despite the interruption to mill throughput in January, ore milled and mined in 2000 is expected to exceed 1999 levels. Two factors which could lead to higher operating costs in 2000 are Çayeli's port lease, which is in the process of being renegotiated and the collective agreement with Çayeli's unionized work force, which expires on May 31, 2000. If, however, productivity and metal prices improve as expected, cash flows and earnings are expected to increase. It is also anticipated that Çayeli will begin paying income taxes in Turkey during 2000.

Troilus (Inmet's 100% share)

	Gold		Copper		Other		Total	
	1999	1998	1999	1998	1999	1998	1999 ⁽¹⁾	1998 ⁽¹⁾
Sales analysis								
Sales (gold ounces/copper tonnes)	168,400	147,000	5,400	4,900				
Prices (U.S.\$/ounce/U.S.\$/lb)	\$ 275	\$ 299	\$ 0.74	\$ 0.75				
Total sales ⁽¹⁾	\$ 68.1	\$ 65.3	\$ 13.0	\$ 12.0	\$ 1.5	\$ 1.3	\$ 82.6	\$ 78.6
Processing charges							(9.7)	(10.9)
Net sales							72.9	67.7
Cost analysis								
Mill throughput (000's tonnes)	4,900	4,000						
Direct cash costs (C\$/tonne)	\$ 12.91	\$ 14.11					(62.6)	(55.9)
Non-cash costs ⁽²⁾							(2.1)	(0.2)
Operating costs							(64.7)	(56.1)
Operating earnings							\$ 8.2	\$ 11.6
Cash flow from operations							\$ 10.5	\$ 6.8

(1) Millions of Canadian dollars.

(2) Includes amortization and other non-cash costs.

Troilus' operating performance improved significantly during 1999, although lower gold prices decreased earnings in comparison to 1998. An expansion of the mill was completed mid-year, increasing mill throughput and gold production. Cash costs decreased from U.S.\$245 per ounce in 1998 to U.S.\$231 per ounce in 1999. These costs include stripping costs, above the current mine life average strip ratio, of U.S.\$37 per ounce and U.S.\$54 per ounce in 1999 and 1998, respectively.

Commencing in 2000, the portion of Troilus mining costs in excess of the average life-of-mine strip ratio will be deferred. These costs will be amortized in future periods when the strip ratio is below the mine life average.

2000 Outlook – In 2000, a major push back of the pit to facilitate future mining and a reduction in the cut-off grade are expected to reduce grades, resulting in lower gold production.

Ok Tedi (100% basis)

	Copper		Gold		Other		Total	
	1999	1998	1999	1998	1999	1998	1999 ⁽¹⁾	1998 ⁽¹⁾
Sales analysis								
Sales (copper tonnes/gold ounces)	182,600	187,200	388,900	501,100				
Prices (U.S.\$/lb/U.S.\$/ounce)	\$ 0.72	\$ 0.78	\$ 284	\$ 299				
Total sales ⁽¹⁾	\$ 429.1	\$ 479.8	\$ 164.1	\$ 222.1	\$ 8.3	\$ 8.0	\$ 601.5	\$ 709.9
Processing charges							(147.3)	(181.3)
Net sales							454.2	528.6
Cost analysis								
Mill throughput (000's tonnes)	26,500	22,800						
Direct cash costs (U.S.\$/tonne)	\$ 9.19	\$ 8.65					(362.7)	(292.0)
Costs incurred during standby							—	(39.6)
Change in inventory							16.5	(79.8)
Amortization							(106.6)	(97.0)
Foreign exchange gains							45.5	23.4
Other costs							(15.9)	(13.3)
Tax expense							(14.3)	(26.2)
Earnings							\$ 16.7	\$ 4.1
Inmet's 18 per cent equity share of earnings							\$ 3.0	\$ 0.7
Inmet's 18 per cent equity share of dividends							\$ 10.5	\$ 10.2

(1) Millions of Canadian dollars.

Inmet owns an 18 per cent interest in Ok Tedi. The above table is stated on a 100 per cent basis (including Inmet's equity accounting adjustments) in order to facilitate analysis of the investment in Ok Tedi.

Lower gold sales and lower copper and gold prices negatively affected Ok Tedi's sales during 1999 compared with 1998. In addition, 1999 operating costs include a full year of dredging amounting to \$52 million. During 1998, dredging was curtailed due to drought, although standby costs of \$40 million were incurred. The exchange gains primarily reflect the devaluation of kina-denominated net liabilities, in particular future income tax liabilities. In addition, foreign exchange gains reflect realized differences between United States and Canadian dollar exchanges upon distribution of dividends.

The calculation of tax expense is based on Ok Tedi's kina-denominated earnings. Certain deductions, such as amortization, are based on historical kina costs and as a result a general weakening of the kina to the United States dollar results in higher kina-based earnings and therefore a higher tax obligation.

Ok Tedi generated free cash flow in 1999 of \$82 million and paid dividends of \$70 million, of which Inmet's share, net of withholding taxes, was \$10.5 million. Free cash flow is calculated after taking into consideration capital expenditures of \$7 million (1998 – \$19 million) and cash taxes paid of \$22 million (1998 – \$16 million).

2000 Outlook – Throughput is expected to increase in 2000 and, when combined with higher anticipated grades, copper and gold production at Ok Tedi should increase. As we anticipate higher capital expenditures and increased tax payments, dividends in 2000 are expected to remain consistent with 1999. Following the release of major new environmental studies in mid-1999, Ok Tedi is in the process of extensive consultations with the Government of Papua New Guinea and with residents of communities affected by the mine's operations regarding compensation for environmental damage and the regulatory framework for the mine's continued operation. The resolution of the environmental and social issues faced by Ok Tedi is highly uncertain and could have a significant effect on Ok Tedi's operations and future cash flows.

Exploration

(millions of dollars)	1999	1998
By geographic region		
Canada	\$ 3.4	\$ 4.6
Latin America	1.9	4.5
Turkey, Greece and Africa	0.3	2.9
United States	0.9	1.4
	\$ 6.5	\$ 13.4

Exploration spending has changed in response to Inmet's new strategy. Exploration activities, focused on large scale deposits in Latin America, were curtailed. Gold exploration in Turkey and Greece was eliminated in conjunction with Inmet's sale of Ovaçık and Perama Hill. Exploration in Africa was also abandoned. During 1999, exploration was refocused on expanding reserves at existing operations.

2000 Outlook – In 2000, exploration expenditures will be comparable to 1999.

General and administration

General and administration expenses dropped significantly from 1998. Excluding restructuring charges of \$0.5 million and \$2.8 million in 1999 and 1998, respectively, general and administration expenses in 1999 decreased by 20 per cent.

2000 Outlook – Current levels of general and administration costs are expected to continue in 2000.

Investment and other income

(millions of dollars)	1999	1998
Interest income	\$ 5.3	\$ 13.1
Gains on sale of investments	5.2	18.5
Foreign exchange loss	(2.0)	(0.3)
Other	(0.3)	(1.4)
	\$ 8.2	\$ 29.9

During 1999 and 1998, investment and other income included significant gains on sales of non-core assets. Interest income reflects earnings on cash and short-term investments. Foreign exchange losses were realized on the settlement of foreign currency denominated receivables, primarily from asset sales.

2000 Outlook – Investment and other income during 2000 will depend principally on Inmet's cash and short-term investments balance and on short-term interest rates.

Interest expense

(millions of dollars)	1999	1998
Convertible debentures	\$ 2.0	\$ 3.4
Çayeli	1.8	2.7
Ovaçık	0.2	1.5
	\$ 4.0	\$ 7.6

Principal repayments of debt and the redemption of the \$125 million convertible subordinated debentures resulted in lower interest expense in 1999. In 1999 Ovaçık, together with its debt obligation, was sold and Çayeli repaid a significant portion of its debt.

2000 Outlook – Interest expense is expected to further decline because of scheduled debt repayments at Çayeli and the 1999 redemption of the \$125 million convertible debentures.

Income tax (expense) recovery

Income tax expense in 1999 of \$3.0 million includes \$1.3 million in large corporation tax, \$1.3 million in foreign taxes on the sale of Navachab and \$0.4 million in mining taxes at Çayeli. In 1998, a \$5.1 million recovery of taxes was recorded resulting from the expiry of warrants and was offset in part by large corporation tax. Inmet has significant tax benefits from non-capital tax losses and mining resource pools.

In 1999, Inmet elected early adoption of the new Recommendations of the Canadian Institute of Chartered Accountants relating to accounting for income taxes. A tax asset of \$9.8 million was recorded for future tax benefits available to offset future earnings. Taxes were retroactively adjusted without a restatement of the 1998 financial statements. Under this new accounting policy the asset has remained unchanged from 1998 to 1999 resulting in no further tax expenses for 1999.

2000 Outlook – Tax expenses for 2000 will include large corporation tax, as well as taxes at Çayeli. In 2000, Çayeli will begin making cash tax payments.

Restructuring program

During the year ended December 1999, Inmet sold a 10 per cent shareholding in Norddeutsche Affinerie ("NA"). Inmet sold its first 25 per cent shareholding on July 8, 1998 for net proceeds of \$155.7 million, at which time Inmet's joint venture interest in NA's copper smelting business was reflected as a discontinued operation. On March 3, 1999 the remaining 10 per cent was sold for net proceeds of \$51.9 million.

On April 29, 1999, Inmet sold its gold interests in Ovaçık and Perama Hill. Cash of \$14.2 million was received and Inmet's guarantee obligation in respect of \$9.8 million of Ovaçık project debt (net of \$9.8 million cash collateral) was assumed by the purchaser. Further payments of \$5.0 million and \$12.0 million are contingent on the commencement of commercial production at Ovaçık and the commencement of construction at Perama Hill, respectively, provided that these events occur within 36 months and 54 months, respectively, of closing. The loss of \$3.2 million excludes the contingent payment of \$12.0 million for Perama Hill.

Inmet's 20 per cent joint venture interest in the Navachab gold mine in Namibia was also sold in 1999. Net proceeds of \$5.3 million were received.

The net effect of all of these dispositions is a \$3.8 million after tax gain on sale of investments recorded in 1999 earnings. 1998 financial statements reflect a net gain of \$49.6 million on sales of assets and a substantial issuer bid with a total cost of \$369.6 million.

Inmet's restructuring program is substantially complete.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity

In 1999, the restructuring program resulted in proceeds of \$81 million from the sale of non-core assets which was used together with cash on hand to repay \$159 million of debt. As a result, consolidated cash and short-term investments decreased by \$80 million to \$93 million at the end of 1999. The debt repayment and a reduction in reclamation obligations for closed sites improved Inmet's debt to equity ratio, including the convertible debentures as debt, to 26 per cent and its current ratio to 3.7 to 1.

Consolidated sources and uses of cash during 1999 and 1998 were as follows:

(millions of dollars)	1999	1998
Cash and short-term investments, beginning of year	\$ 173	\$ 294
Cash provided by (used in) operating activities		
Çayeli	17	9
Troilus	11	7
Ok Tedi	11	10
	39	26
Exploration expenditures	(6)	(13)
General and administration	(7)	(8)
Investment income and other	3	6
	29	11
Reclamation costs, net of asset sales	(26)	(6)
	3	5
Cash provided by (used in) investing activities		
Sale of non-core assets	81	314
Capital assets	(15)	(62)
Restricted cash	10	(2)
	76	250
Cash used in financing activities		
Repayment of debentures	(125)	—
Share buyback	—	(370)
Repayment of debt	(34)	(19)
	(159)	(389)
Cash provided by discontinued operations	—	13
Cash and short-term investments, end of year	\$ 93	\$ 173

Cash flows from operating activities

Inmet's cash flow from continuing operations before reclamation spending improved to \$29 million in 1999 compared to \$11 million in 1998. Increased cash flow from the operations was achieved through higher production, cost reductions and lower treatment and refining costs. Reduced corporate expenditures, specifically in the areas of exploration and general and administration, also had a positive impact on 1999 operating cash flows.

In 1999, a total of \$26 million was spent on extensive reclamation work at Inmet's closed sites. As the majority of Inmet's closed sites are now at an advanced stage of remediation, 2000 reclamation spending is expected to be significantly lower at approximately \$13.5 million.

Cash flows from investing activities

Proceeds from asset dispositions were \$81 million compared to \$314 million in 1998 (refer to page 25 for commentary on 1999 dispositions).

Capital expenditures, by operation, were as follows:

(millions of dollars)	1999	1998
Troilus	\$ 10	\$ 13
Çayeli	4	5
Winston Lake/Pick Lake	—	.25
Antamina	—	18
Other	1	1
	\$ 15	\$ 62

The major programs during 1999 were the mill expansion at Troilus and the paste backfill plant at Çayeli. In 1998, operations were suspended at Winston Lake and Antamina was sold. Anticipated 2000 capital spending is approximately \$18 million, of which \$10 million relates to capitalized stripping costs at Troilus.

Cash flows from financing activities

On April 5, 1999, Inmet redeemed for cash its \$125 million subordinated convertible debentures due 1999.

Total short-term and long-term debt at year end 1999 was \$35 million. Repayments of \$34 million in 1999 included Çayeli's scheduled debt repayments of \$11 million and \$20 million of Ovaçık financing repaid in conjunction with its sale. Çayeli debt repayments of \$7 million are scheduled for 2000, after which annual repayments will decline to \$3 million.

Inmet repurchased a total of 65.1 million common shares on September 2, 1998 at a cost of \$370 million, including transaction costs. After the share buyback, 38,337,358 common shares are outstanding.

Financial condition

The book value of net assets is summarized below.

(millions of dollars, except share amounts)	1999	1998
Consolidated cash and equivalents	\$ 93.5	\$ 173.1
Book value of publicly traded investments	0.5	49.8
Operations and joint ventures		
Ok Tedi	79.3	86.9
Troilus	37.5	29.5
Çayeli	28.4	18.0
Izok Lake	24.8	24.8
Petaquilla	16.7	16.7
Ovaçık ⁽¹⁾	—	22.8
Other	15.6	3.8
	296.3	425.4
Reclamation liabilities	(68.6)	(111.7)
Convertible debentures ⁽²⁾	(48.1)	(168.2)
Çayeli project debt	(18.0)	(30.6)
Net book value	\$ 161.6	\$ 114.9
Shares outstanding	38,337,358	38,337,358
Net book value per share	\$ 4.22	\$ 3.00

(1) Including cash in escrow and net of debt.

(2) Net of the unamortized issue costs and discount of \$16 million at December 31, 1999.

RISK MANAGEMENT

Financial risk

The 1999 restructuring program and the buyback of 65 million shares has made Inmet's earnings and cash flow per share highly leveraged to changes in metal prices. On the basis of 2000 production estimates, the effect on net income and cash flow of metal price changes is as follows:

	Change in Metals Prices	Effect on Net Income ⁽¹⁾	Effect Per Share
Copper (per pound)	U.S.\$0.10	\$8 million	\$0.21
Gold (per ounce)	U.S.\$10.00	\$2 million	\$0.05
Zinc (per pound)	U.S.\$0.05	\$1 million	\$0.02

(1) Calculations include hedging in place at February 8, 2000.

In order to mitigate the impact of declining metals prices, Inmet from time to time enters into certain hedge transactions. The Board of Directors has approved a Metal Price Hedge Policy which limits the quantity of metal production that can be subjected to a hedge transaction and ensures that transactions are not speculative in nature. The goal of any particular hedge program is to maintain sufficient liquidity for the relevant operation to meet its commitments while maintaining maximum leverage to upward metal price movements. Other factors that influence the selection of hedge instruments include market views of future prices, the current momentum in the market and cost.

The hedge program in place at Çayeli contemplates an upward movement in future copper prices. The program covers 9,400 tonnes of copper metal production during the period January through June 2000, or approximately 25 per cent of production during 2000. The hedge uses equal combinations of puts and forward sales at U.S.\$0.80 and U.S.\$0.84 per pound, respectively. The puts allow unrestricted upward movement in copper prices above the strike price. The program was partially financed through the sale of call options that give the holder the right to purchase approximately 2,350 tonnes of copper production at a price of U.S.\$0.93 per pound.

In early February 2000, Inmet put in place forward gold sales in the amount of 40,000 ounces in each of 2000 and 2001, at U.S.\$353 per ounce, and 40,000 ounces for each of the three subsequent years at U.S.\$327 per ounce. This equates to approximately 25 per cent of Troilus' anticipated production over the next five years. Inmet's hedge facility is a margin-free facility.

Approximately 31,600 tonnes of Ok Tedi's copper production during 2000, or 17 per cent, is hedged through forward sales throughout the year at a price of U.S.\$0.77 per pound. Approximately 83,000 ounces of Ok Tedi's gold production during 2000, or 14 per cent, is hedged through forward sales throughout the year at a price of U.S.\$313 per ounce. Ok Tedi has also hedged through forward sales 12 per cent of its forecast gold production during 2001 at U.S.\$320 per ounce.

Sales of metals are denominated in United States dollars. As a result, Inmet is sensitive to changes in the Canadian to United States dollar exchange. United States dollar requirements for reclamation activities provide a natural hedge to a portion of Inmet's exposure to exchange rate fluctuations. The effect on net income of a Canadian \$0.05 change in the United States to Canadian dollar exchange is \$2.8 million or \$0.07 per share. Inmet has not hedged any of its United States dollar exposure.

Indirectly, through Inmet's investment in Ok Tedi, earnings are sensitive to changes between the Papua New Guinea kina and the United States dollar. Ok Tedi has net kina-denominated liabilities, which become less costly in United States dollar terms as the kina weakens relative to the United States dollar. During 1999, the kina declined in value relative to the United States dollar and as a result Ok Tedi recorded transactional foreign currency gains, which increased Inmet's net income by \$3.8 million. Ok Tedi does not hedge any of its United States dollar exposure.

Operational risk

The mining industry is subject to many risks which can have a material impact on costs and productivity, including accidents, labour disputes, safety issues, extreme weather conditions, earthquakes, and changing regulatory requirements. Alone or in combination, these risks can result in environmental damage, property damage, personal injury or death and business interruption. While Inmet purchases insurance to protect against general and industry specific risks, there can be no assurance that this insurance will be sufficient to cover every circumstance.

Political risk

Inmet operates internationally in developing countries such as Papua New Guinea and Turkey. Inmet does not regard the developing nature of these countries as a significant deterrent to operation in these countries. Nevertheless, Inmet closely reviews political, social and economic conditions, particularly in less developed countries, before investments are made and adopts strategies accordingly. In order to mitigate political risk, Inmet has from time to time entered into joint venture arrangements with local partners and international financing agencies. Inmet also maintains political risk insurance.

Environmental risk

Inmet's operations are subject to environmental laws and regulations both in Canada and in other countries in which it does business, primarily

the United States, Turkey, Papua New Guinea and a number of Latin American countries. The potential for changes in laws and regulations create significant measurement uncertainty with regard to the actual environmental and reclamation costs that Inmet will incur in the future. Environmental and regulatory review has become a long, complex and uncertain process which can delay the opening of a new mine or prolong decommissioning activities at closed mines.

Inmet's closure liabilities are substantial in relation to its assets. Regulatory developments on changes in the assessment of conditions at closed sites can cause substantial variances, positive or negative, from prior estimates of closure liabilities.

In 1999, Inmet obtained environmental insurance to mitigate its exposure to reclamation cost overruns at Copper Range, Winston Lake and Norbec. The insurance policy requires the insurer to pay for reclamation expenditures in respect of known conditions, in excess of specific limits at each of the insured sites. The insurer covers overruns above the site limits, to a maximum of \$30 million.

Environmental risks related to Ok Tedi are discussed in the Ok Tedi 2000 Outlook section on page 24.

SUMMARY

1999 marked a successful year for Inmet. Earnings from Inmet's operations were strong due to increased throughput, operating efficiencies and reduced operating costs.

Inmet continues to evaluate and implement measures to maximize cash flows from its mining operations. Çayeli and Troilus are expected to contribute positively to Inmet's 2000 operating cash flow. Although Ok Tedi is expected to pay dividends in 2000, it is not possible to anticipate the impact of environmental and social issues on Ok Tedi's operations and cash flows beyond 2000.

During 2000, Inmet's main goal is to increase reserves through acquisition, merger or successful exploration. At December 31, 1999, with substantial working capital of \$112 million and long-term debt of \$27 million, Inmet is well positioned financially to meet this goal.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Inmet Mining Corporation were prepared by management in accordance with generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. The significant accounting policies of the Corporation are summarized on pages 30 and 31.

Management has established systems of internal control over the financial reporting process which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

KPMG LLP, the Corporation's independent auditors, conduct an audit of the consolidated financial statements in accordance with generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors is

assisted in these responsibilities by its Audit Committee, whose members are not officers of the Corporation. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Richard A. Ross

President and
Chief Executive Officer

Scott A. Oen

Vice-President, Finance and
Chief Financial Officer

February 8, 2000

AUDITORS' REPORT

To the Shareholders of Inmet Mining Corporation:

We have audited the consolidated balance sheets of Inmet Mining Corporation as at December 31, 1999 and 1998 and the consolidated statements of operations, deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting

principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

February 8, 2000

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Inmet Mining Corporation (the "Corporation") are expressed in thousands of Canadian dollars, except for earnings per share, and have been prepared in accordance with Canadian generally accepted accounting principles.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation, its subsidiary, Copper Range Company ("Copper Range") and the Corporation's proportionate interests in the accounts of entities that are jointly controlled, which include Çayeli Bakır İşletmeleri A.S. ("Çayeli").

BASIS OF SEGMENTED DISCLOSURE

The Corporation's operations are managed independently of each other primarily because of their geographical diversity. Each operation retains its own management team and is responsible for compiling its own financial information. The segmented financial statements reflect this structure.

The Corporation's operations include Çayeli, Ok Tedi Mining Limited ("Ok Tedi") and Troilus. Çayeli is a 49 per cent owned joint venture, located in Turkey, which produces copper and zinc concentrates. Ok Tedi is an equity accounted investment. The Corporation owns an 18 per cent share in Ok Tedi, which owns a copper mine located in Papua New Guinea. Troilus is a wholly-owned gold mine, located in Quebec.

CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments consist of balances with banks and investments in money market instruments with terms to maturity of three months or less. These investments are carried at cost, which approximates market. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

INVESTMENTS

Investments accounted for by the equity method include Ok Tedi. Under this method the Corporation includes in the consolidated statements of operations its share of the net earnings or losses of these associated companies. The difference between the cost of investments and the Corporation's share of the net assets acquired relates to specific mineral reserves and is amortized over the estimated lives of such reserves.

INVENTORIES

Inventories of stockpiled ore are valued at the lower of cost and net realizable value. Inventories of concentrates produced for sale by the Corporation's mining operations are valued at estimated net realizable value. Materials and supplies are valued at the lower of average cost and replacement cost.

CAPITAL ASSETS

Exploration costs are charged to earnings in the year in which they are incurred. When it is determined that a property contains economically recoverable reserves and development is reasonably foreseeable, further development and exploration expenditures, including interest and financing costs on funds borrowed, are capitalized. When production commences, these costs, together with property acquisition costs, are reclassified to property and amortized on the unit-of-production method based on the economic life of the related deposit.

Plant and equipment are recorded at cost and amortized based on the straight-line method over their estimated useful lives, which range from five to eight years.

The Corporation reviews and evaluates the recoverability of capital assets periodically based on estimated future undiscounted net cash flows from each property. Net cash flows include estimates on recoverable reserves, future metal prices and future operating, capital and reclamation costs. If estimated future net cash flows are less than the carrying value of the property the difference is charged against income. In addition, the Corporation considers other factors, including the ability to obtain sufficient financing for the project or the ability to recover its costs through a disposition of the property. Estimates of future cash flows are subject to risks and uncertainties. It is possible that changes could occur which may affect the recoverability of capital assets.

RECLAMATION AND CLOSURE COSTS

Reclamation and closure costs are provided for over the estimated lives of the mines to which they relate. The resulting obligation is reduced as reclamation and closure expenditures are made.

Because of uncertainties concerning environmental remediation, the ultimate cost to the Corporation of future removal and site restoration could differ from the amounts provided. The estimate of the total liability of future removal and site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning

the Corporation's operations becomes available. Future changes, if any, in requirements, laws, regulations and the Corporation's operations may be significant and would be recognized prospectively, as a change in estimate, when applicable. The Corporation is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

PENSION COSTS

The Corporation provides retirement benefits for substantially all of its employees under a number of defined benefit and defined contribution plans. The defined benefit plans' pension costs are actuarially determined each year using the accrued benefit method. Pension expense includes current service costs and the amortization of past service costs and experience gains or losses on a straight-line basis over the expected average remaining service lives of the employee groups. Any gains or losses on plan settlements or curtailments are recognized in income in the period incurred. Any differences arising between the cumulative amounts expensed and the funding contributions are reflected in the balance sheet as either a liability or an asset.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year end exchange rates, whereas non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rates in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

The assets and liabilities of the Corporation's foreign joint venture, which beginning in 1999 is considered financially and operationally independent are translated into Canadian dollars at rates of exchange in effect at year end. The revenues and expenses of this self-sustaining operation are translated at the rate of exchange in effect at the dates on which they are recognized in income during the year. Foreign currency translation adjustments are deferred and included as a separate component of shareholders' equity.

FINANCIAL INSTRUMENTS

The Corporation enters into hedging transactions, from time to time, in order to reduce exposure to changing prices on the sale of future production. Hedging transactions include forward sales and options. Contracted prices on forward sales are recognized in sales as designated production is delivered to meet the commitment. Option premiums are amortized to income in relation to the production being hedged.

INCOME TAXES

The Corporation has retroactively adopted the new Recommendations of the Canadian Institute of Chartered Accountants for the accounting for income taxes, which requires the use of the asset and liability method. This change has been applied retroactively with no restatement to the prior period. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future income and mining tax expense was based on differences in the recognition of revenues and expenses for income tax and financial reporting.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the 1999 presentation.

CONSOLIDATED BALANCE SHEETS

As at December 31

(thousands of dollars)	1999	1998
ASSETS		
Current assets:		
Cash and short-term investments	\$ 93,458	\$ 173,135
Restricted cash (note 5)	-	10,226
Accounts receivable	40,717	42,483
Inventories	13,764	12,975
Future income tax asset (note 4)	5,036	-
	152,975	238,819
Investments (note 2)	81,381	137,662
Capital assets (note 3)	72,982	96,106
Future income tax asset (note 4)	4,785	-
Other assets	13,750	12,089
	\$ 325,873	\$ 484,676
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,982	\$ 23,640
Short-term debt (note 5)	8,541	41,382
Reclamation liabilities (note 7)	13,500	36,365
	41,023	101,387
Long-term debt (note 6)	26,768	36,465
Reclamation liabilities (note 7)	55,118	75,307
Other liabilities (note 8)	9,451	9,550
Deferred income taxes	-	5,715
Commitments (note 10)		
SHAREHOLDERS' EQUITY		
Convertible debentures:		
2007 maturity (note 11)	30,782	28,045
1999 maturity (note 11)	-	113,331
Share capital (note 12)	237,641	237,641
Contributed surplus	52,065	52,065
Deficit	(128,080)	(174,830)
Foreign currency translation account	1,105	-
	193,513	256,252
	\$ 325,873	\$ 484,676

(See accompanying notes)

On behalf of the Board:

Richard A. Ross, Director

Paul E. Gagné, Director

SEGMENTED BALANCE SHEETS

As at December 31, 1999

(thousands of dollars)	Operations and Development					Corporate	Total
	Çayeli (Turkey)	Troilus (Canada)	Other ⁽¹⁾	Total			
ASSETS							
Cash and short-term investments	\$ 8,488	\$ —	\$ 841	\$ 9,329	\$ 84,129	\$ 93,458	
Other current assets	13,288	35,900	803	49,991	9,526	59,517	
Investments	—	—	—	—	81,381	81,381	
Capital assets	14,022	17,096	41,526	72,644	338	72,982	
Other assets	5,694	37	—	5,731	12,804	18,535	
TOTAL ASSETS	\$ 41,492	\$ 53,033	\$ 43,170	\$ 137,695	\$ 188,178	\$ 325,873	
LIABILITIES							
Current liabilities	\$ 9,949	\$ 10,796	\$ 13,500	\$ 34,245	\$ 6,778	\$ 41,023	
Long-term debt	11,033	—	—	11,033	15,735	26,768	
Reclamation and other liabilities	524	4,700	55,118	60,342	4,227	64,569	
TOTAL LIABILITIES	\$ 21,506	\$ 15,496	\$ 68,618	\$ 105,620	\$ 26,740	\$ 132,360	

As at December 31, 1998

(thousands of dollars)	Operations and Development					Corporate	Total
	Çayeli (Turkey)	Troilus (Canada)	Other ⁽¹⁾	Total			
ASSETS							
Cash and short-term investments	\$ 873	\$ —	\$ 1,823	\$ 2,696	\$ 170,439	\$ 173,135	
Other current assets	6,840	31,874	876	39,590	26,094	65,684	
Investments	—	—	—	—	137,662	137,662	
Capital assets	11,754	9,234	74,563	95,551	555	96,106	
Other assets	2,482	55	—	2,537	9,552	12,089	
TOTAL ASSETS	\$ 21,949	\$ 41,163	\$ 77,262	\$ 140,374	\$ 344,302	\$ 484,676	
LIABILITIES							
Current liabilities	\$ 13,597	\$ 6,954	\$ 60,130	\$ 80,681	\$ 20,706	\$ 101,387	
Long-term debt	19,135	—	—	19,135	17,330	36,465	
Reclamation and other liabilities	1,002	4,700	75,307	81,009	3,848	84,857	
Deferred income taxes	—	—	—	—	5,715	5,715	
TOTAL LIABILITIES	\$ 33,734	\$ 11,654	\$ 135,437	\$ 180,825	\$ 47,599	\$ 228,424	

(1) "Other" primarily includes shut down operations and development properties.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31

(thousands of dollars except per share amounts)	1999	1998
Sales	\$ 116,602	\$ 105,591
Cost of sales	(84,297)	(86,007)
Amortization	(4,504)	(1,441)
Share of earnings in associated companies (note 2)	3,184	988
	30,985	19,131
Exploration	(6,467)	(13,435)
General and administration	(6,215)	(9,870)
Investment and other income (note 13)	8,166	29,877
Interest expense	(4,015)	(7,578)
Income tax (expense) recovery (note 4)	(3,002)	3,014
Reduction in provision for reclamation costs (note 7)	20,000	—
Write down of mining properties (note 15)	—	(37,500)
Earnings (loss) from continuing operations	39,452	(16,361)
Earnings from discontinued operations (note 14)	—	16,349
Gains on sale of discontinued operations (note 14)	—	31,050
Net income	\$ 39,452	\$ 31,038
Earnings (loss) per common share (note 12)		
Continuing operations	\$ 0.90	\$ (0.33)
Discontinued operations	—	0.58
Net income	\$ 0.90	\$ 0.25

(See accompanying notes)

SEGMENTED STATEMENTS OF OPERATIONS

For the year ended December 31, 1999

(thousands of dollars)	Operations				Corporate	Total
	Çayeli (Turkey)	Troilus (Canada)	Other ⁽¹⁾	Total		
Sales	\$ 43,731	\$ 72,871	\$ -	\$ 116,602	\$ -	\$ 116,602
Cost of sales	(21,646)	(62,154)	(497)	(84,297)	-	(84,297)
Amortization	(1,996)	(2,508)	-	(4,504)	-	(4,504)
Share of earnings in associated companies	-	-	-	-	3,184	3,184
	20,089	8,209	(497)	27,801	3,184	30,985
Exploration	-	-	-	-	(6,467)	(6,467)
General and administration	-	-	-	-	(6,215)	(6,215)
Investment and other income	-	-	-	-	3,014	3,014
Interest expense	(1,808)	-	(226)	(2,034)	(1,981)	(4,015)
Income tax expense	(398)	-	-	(398)	(1,281)	(1,679)
Earnings (loss) before other	17,883	8,209	(723)	25,369	(9,746)	15,623
Gains on sale of investments, net of taxes	-	-	-	-	3,829	3,829
Reduction in provision for reclamation costs	-	-	20,000	20,000	-	20,000
Net income (loss)	\$ 17,883	\$ 8,209	\$ 19,277	\$ 45,369	\$ (5,917)	\$ 39,452

For the year ended December 31, 1998

(thousands of dollars)	Operations				Corporate	Total
	Çayeli (Turkey)	Troilus (Canada)	Other ⁽¹⁾	Total		
Sales	\$ 28,957	\$ 67,741	\$ 8,893	\$ 105,591	\$ -	\$ 105,591
Cost of sales	(18,650)	(55,952)	(11,405)	(86,007)	-	(86,007)
Amortization	(1,217)	(224)	-	(1,441)	-	(1,441)
Share of earnings in associated companies	-	-	-	-	988	988
	9,090	11,565	(2,512)	18,143	988	19,131
Exploration	-	-	-	-	(13,435)	(13,435)
General and administration	-	-	-	-	(9,870)	(9,870)
Investment and other income	-	-	-	-	11,394	11,394
Interest expense	(2,697)	(2)	(1,480)	(4,179)	(3,399)	(7,578)
Income tax recovery	-	-	-	-	3,014	3,014
Earnings (loss) before other	6,393	11,563	(3,992)	13,964	(11,308)	2,656
Gains on sale of investments	-	-	-	-	18,483	18,483
Write down of mining properties	-	-	(36,300)	(36,300)	(1,200)	(37,500)
Earnings (loss) from continuing operations	6,393	11,563	(40,292)	(22,336)	5,975	(16,361)
Earnings from discontinued operations	-	-	-	-	16,349	16,349
Gains on sale of discontinued operations	-	-	-	-	31,050	31,050
Net income (loss)	\$ 6,393	\$ 11,563	\$ (40,292)	\$ (22,336)	\$ 53,374	\$ 31,038

(1) In 1999 "other" includes standby costs at Ovaçık and the reduction of reclamation costs. In 1998 "other" includes Winston Lake, Ovaçık standby costs and shut down operations.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(thousands of dollars)	1999	1998
Cash provided by (used in) continuing operating activities	\$ 39,452	\$ (16,361)
Earnings (loss) from continuing operations	(3,184)	(988)
Add (deduct) items not affecting cash:		
Gains on sale of investments	(5,504)	(18,483)
Share of earnings in associated companies	4,504	1,441
Amortization	(20,000)	–
Reduction in provision for reclamation costs	–	37,500
Write down of mining properties	1,820	(2,522)
Other	10,836	10,715
Distributions from associated companies	1,568	(308)
Net change in non-cash working capital	29,492	10,994
Reclamation and closure costs, net of related asset sales	(26,431)	(5,509)
	3,061	5,485
Cash provided by (used in) continuing investing activities		
Dispositions (note 1)	80,878	313,916
Capital assets	(14,654)	(61,673)
Restricted cash	9,778	(2,419)
	76,002	249,824
Cash used in continuing financing activities		
Repayment of debentures (note 11)	(125,000)	–
Share buyback	–	(369,636)
Long-term debt repayment	(33,740)	(19,371)
	(158,740)	(389,007)
Cash provided by discontinued operations (note 14)	–	13,242
Decrease in cash and short-term investments	(79,677)	(120,456)
Cash and short-term investments:		
Beginning of year	173,135	293,591
End of year	\$ 93,458	\$ 173,135

(See accompanying notes)

SEGMENTED STATEMENTS OF CASH FLOWS

For the year ended December 31, 1999

(thousands of dollars)	Operations				Corporate	Total
	Çayeli (Turkey)	Troilus (Canada)	Other ⁽¹⁾	Total		
Cash provided by (used in) continuing operating activities						
Before net change in non-cash working capital	\$ 20,031	\$ 10,717	\$ (27,154)	\$ 3,594	\$ (2,101)	\$ 1,493
Net change in non-cash working capital	(2,565)	(201)	75	(2,691)	4,259	1,568
	17,466	10,516	(27,079)	903	2,158	3,061
Cash provided by (used in) continuing investing activities						
Dispositions	—	—	—	—	80,878	80,878
Capital assets and restricted cash	(4,222)	(10,369)	—	(14,591)	9,715	(4,876)
	(4,222)	(10,369)	—	(14,591)	90,593	76,002
Cash used in continuing financing activities	(10,537)	—	(19,556)	(30,093)	(128,647)	(158,740)
Intercompany/divisional funding (distributions)	4,908	(147)	45,653	50,414	(50,414)	—
Increase (decrease) in cash and short-term investments	7,615	—	(982)	6,633	(86,310)	(79,677)
Cash and short-term investments						
Beginning of year	873	—	1,823	2,696	170,439	173,135
End of year	\$ 8,488	\$ —	\$ 841	\$ 9,329	\$ 84,129	\$ 93,458

For the year ended December 31, 1998

(thousands of dollars)	Operations				Corporate	Total
	Çayeli (Turkey)	Troilus (Canada)	Other ⁽¹⁾	Total		
Cash provided by (used in) continuing operating activities						
Before net change in non-cash working capital	\$ 7,965	\$ 12,786	\$ (13,145)	\$ 7,606	\$ (1,813)	\$ 5,793
Net change in non-cash working capital	1,369	(6,025)	1,207	(3,449)	3,141	(308)
	9,334	6,761	(11,938)	4,157	1,328	5,485
Cash provided by (used in) continuing investing activities						
Dispositions	—	—	—	—	313,916	313,916
Capital assets and restricted cash	(5,443)	(12,623)	(43,511)	(61,577)	(2,515)	(64,092)
	(5,443)	(12,623)	(43,511)	(61,577)	311,401	249,824
Cash used in continuing financing activities	(9,852)	—	—	(9,852)	(379,155)	(389,007)
Intercompany/divisional funding (distributions)	(1,073)	5,862	52,457	57,246	(57,246)	—
Cash provided by discontinued operations	—	—	—	—	13,242	13,242
Decrease in cash and short-term investments	(7,034)	—	(2,992)	(10,026)	(110,430)	(120,456)
Cash and short-term investments						
Beginning of year	7,907	—	4,815	12,722	280,869	293,591
End of year	\$ 873	\$ —	\$ 1,823	\$ 2,696	\$ 170,439	\$ 173,135

(1) In 1999 "other" includes shut down operations and Ovaçık. In 1998 "other" includes shut down operations and development at Ovaçık, Antamina and Winston Lake.

CONSOLIDATED STATEMENTS OF DEFICIT

For the years ended December 31

(thousands of dollars)	1999	1998
Deficit, beginning of year (note 12)	\$ (174,830)	\$ (195,181)
As previously reported	15,860	—
Prior year's adjustment to reflect adoption of accounting for income taxes		
As restated	(158,970)	(195,181)
Net income	39,452	31,038
Accretion on equity component of convertible debentures (note 11)	(4,926)	(10,687)
Excess of redemption costs over carrying value of convertible debentures repaid	(3,636)	—
Deficit, end of year	\$ (128,080)	\$ (174,830)

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DISPOSITIONS

During 1999 and 1998, the following dispositions were made. The proceeds in the following table reflect the amounts disclosed as dispositions in the consolidated statements of cash flows:

(thousands of dollars)	Note	1999	1998
NA	1(a),14	\$ 51,907	\$ 155,707
Ovaçik and Perama Hill	1(b)	23,975	—
Navachab	1(c)	5,294	—
Antamina	1(d)	—	67,779
WBH	1(e),14	—	49,838
Teck Corporation	1(f)	—	39,259
Other		(298)	1,333
		\$ 80,878	\$ 313,916

(a) NA

The Corporation's 35 per cent shareholding in Norddeutsche Affinerie ("NA") was sold in two parts. The first 25 per cent shareholding was sold in 1998 for net proceeds of \$155.7 million and the remaining 10 per cent shareholding was sold in 1999 for net proceeds of \$51.9 million. An after tax gain on sale of \$3.6 million was recorded in 1999 (1998 - \$30.7 million).

(b) Ovaçik and Perama Hill

In 1999, the Corporation sold its one-third interest in Eurogold Madencilik A.S., which owns Ovaçik, and its 22.2 per cent effective interest in

Thracean Gold Mining S.A., which owns Perama Hill. Net proceeds of \$24.0 million were received and an after tax loss of \$3.2 million recorded. Future payments of \$5.0 million and \$12.0 million are contingent on the commencement of commercial production at Ovaçik and the commencement of construction at Perama Hill, respectively. The recorded loss excludes the Perama Hill contingent payment.

(c) Navachab

In 1999, the Corporation sold its 20 per cent interest in the Navachab gold mine, for net proceeds of \$5.3 million. A gain of \$4.8 million was recorded before taxes of \$1.3 million.

(d) Antamina

During 1998, the Corporation sold its 50 per cent interest in the Antamina project for net proceeds of \$67.8 million and retains a 3.3 per cent net proceeds interest in respect of the project. A gain of \$7.5 million was recorded, which does not include any value attributed to the net proceeds interest.

(e) WBH

In 1998, the Corporation sold its 100 per cent interest in Wolfram Bergbau- und Hütten- GmbH Nfg.Kg. ("WBH"), for net proceeds of \$49.8 million and realized an after tax gain of \$0.4 million.

(f) Teck

In 1998, the Corporation sold its 1,784,500 directly and indirectly held class A common shares in Teck Corporation for net proceeds of \$39.3 million and realized an after tax gain of \$11.0 million.

2. INVESTMENTS

At December 31, the carrying value of the Corporation's investments was as follows:

(thousands of dollars)	Note	1999	1998
Ok Tedi	2	\$ 79,299	\$ 86,858
NA	1(a)	—	49,329
Other		2,082	1,475
\$ 81,381		\$ 137,662	

The Corporation's equity earnings, for the years ended December 31, were as follows:

(thousands of dollars)	Note	1999	1998
Ok Tedi	2	\$ 2,990	\$ 752
Other		194	236
\$ 3,184		\$ 988	

Ok Tedi

Information relating to the Corporation's investment in Ok Tedi is as follows:

(thousands of dollars)		1999	1998
Carrying value, beginning of year		\$ 86,858	\$ 96,301
Equity earnings, including amortization of purchase price discrepancy ⁽¹⁾		2,990	752
Dividends received		(10,549)	(10,195)
Carrying value, end of year		\$ 79,299	\$ 86,858

(1) Amortization of purchase price discrepancy in 1999 was \$3.3 million (1998 – \$3.0 million).

As at December 31, 1999 and 1998, the Corporation held an 18 per cent ordinary share interest in Ok Tedi.

Ok Tedi is in the process of extensive consultations with the Government of Papua New Guinea and with residents of communities affected by the mine's operations regarding compensation for environmental damage and the regulatory framework for the mine's continued operation.

The owners of Ok Tedi, the Independent State of Papua New Guinea (the "State"), The Broken Hill Proprietary Company Limited ("BHP") and the Corporation, govern their relationship as shareholders of Ok Tedi under a shareholders' agreement. In 1994, in consideration of the waiver of the Corporation's obligation under the shareholders' agreement to sell its interest in Ok Tedi on a change of control of the Corporation, the Corporation agreed that BHP and the State may purchase from the Corporation its entire interest in Ok Tedi at fair value if any third party acquires control of the Corporation.

3. CAPITAL ASSETS

At December 31, capital assets consisted of the following:

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
1999			
Plant and equipment	\$ 38,516	\$ 7,060	\$ 31,456
Deferred development and exploration:			
Izok Lake	24,801	—	24,801
Petaquilla	16,725	—	16,725
	\$ 80,042	\$ 7,060	\$ 72,982
1998			
Plant and equipment	\$ 24,007	\$ 2,464	\$ 21,543
Deferred development and exploration:			
Izok Lake	24,801	—	24,801
Petaquilla	16,725	—	16,725
Ovaçik	33,037	—	33,037
	\$ 98,570	\$ 2,464	\$ 96,106

In 1999, the Corporation sold Ovaçik (note 1).

4. INCOME TAXES

A reconciliation between taxes calculated by applying the statutory tax rate to pre-tax earnings (loss) from continuing operations is as follows:

(thousands of dollars)	1999	1998
Earnings (loss) from continuing operations before income taxes	\$ 42,454	\$ (19,375)
Canadian combined federal and provincial income tax rate	39%	44%
Expected income taxes	\$ 16,557	\$ (8,525)
Tax effect of:		
Recognition of losses of previous years	(13,419)	(13,335)
Additional deductions for tax	(4,827)	(5,445)
Resource loss	915	3,035
Non-deductible expenses	127	1,332
Losses of foreign subsidiaries	647	6,966
Write downs not recognized as tax losses	—	15,972
	0	0
Large corporation and withholding taxes	1,679	2,046
Other	1,323	—
Gain on expiry of warrants (note 12(b))	—	(5,060)
Income tax expense (recovery)	\$ 3,002	\$ (3,014)

4. INCOME TAXES *(continued)*

In 1999, the Corporation paid tax instalments of \$1.9 million and received refunds from overpayments of 1998 tax instalments and refiling of previous years' tax returns of \$1.0 million. In 1998, the Corporation received refunds, net of instalments, amounting to \$1.8 million, of which the refunds represent overpayments of 1997 tax instalments and refunds of mining duties.

At December 31, 1999, the Corporation had approximately \$13 million (1998 – \$11 million) of Canadian loss carry-forwards expiring between the years 2002 and 2006, and U.S.\$157 million of foreign jurisdiction loss carry-forwards to offset future taxable income. Approximately U.S.\$155 million (1998 – U.S.\$134 million) of U.S. tax loss carry-forwards, expiring between the years 2000 and 2013 relate to subsidiaries, the operations of which have been suspended. The ability of the Corporation to utilize these losses is unlikely and therefore a full valuation allowance has been provided against this asset.

As at December 31, 1999, the significant components within the Corporation's future tax asset were as follows:

(thousands of dollars)	1999
Loss carry-forwards	\$ 82,328
Capital assets	76,083
Canadian resource deductions	47,153
Reclamation liabilities	25,338
Other	863
	231,765
Valuation allowance	(221,944)
Future income tax asset	9,821
Less current portion	5,036
	\$ 4,785

5. SHORT-TERM DEBT

At December 31, short-term debt consisted of the following:

(thousands of dollars)	Note	1999	1998
Current portion of long-term debt	6	\$ 8,541	\$ 20,938
Ovaçık bridge facility	5	–	20,444
		\$ 8,541	\$ 41,382

In 1999, the Corporation sold its interest in Ovaçık. As part of the sale agreement, the purchaser assumed the Corporation's guarantee obligation in respect of the bridge facility, net of the collateralized cash of \$9.8 million (1998 – \$10.2 million) (note 1).

6. LONG-TERM DEBT

At December 31, long-term debt consisted of the following:

(thousands of dollars)	Note	1999	1998
Çayeli project financing	6	\$ 18,013	\$ 30,617
Debt component of convertible debentures	11	17,296	26,786
		35,309	57,403
Less current portion:			
Çayeli project financing		6,980	11,482
Debt component of convertible debentures		1,561	9,456
	5	8,541	20,938
		\$ 26,768	\$ 36,465

At December 31, 1999, the Corporation's share of Çayeli's project financing was \$18.0 million or U.S.\$12.5 million (1998 – \$30.6 million or U.S.\$20.0 million). The full amount of the facility, at December 31, 1999, was U.S.\$24.0 million. The facility consists of two tranches: Loan A in the amount of U.S.\$18.9 million and Loan B in the amount of U.S.\$5.1 million. Loan A bears interest at the London Interbank Offered Rate ("LIBOR") plus 2.25 per cent per annum and has a term to 2004 and Loan B bears interest at LIBOR plus 1.88 per cent per annum and has a term to 2000.

The Corporation's share of Çayeli's annual principal payments, as expressed in thousands of Canadian dollars, is as follows:

2000	\$ 6,980
2001	3,152
2002	3,152
2003	3,152
2004	1,577
	\$ 18,013

The loan is secured by a first ranking mortgage over certain land and related assets of Çayeli and a pledge of the shares of Çayeli. The Corporation has severally guaranteed 52.1 per cent of the total amount outstanding. Çayeli is currently in compliance with all covenants related to this financing.

7. RECLAMATION LIABILITIES

Reclamation liabilities, including the short-term portion, were \$68.6 million at December 31, 1999 (1998 – \$111.7 million). In 1999, the Corporation made substantial progress in remediation of its closed sites at costs lower than initially estimated. In addition, the Corporation has received higher than expected proceeds on asset sales from closed sites. As a result, the Corporation has reduced its provision for reclamation liabilities by \$20.0 million. In addition, the Corporation obtained environmental insurance against overruns in reclamation costs at certain closed sites. The insurance policy requires the insurance company to pay for reclamation expenditures in respect of known conditions, in excess of specific limits at each of the insured sites. Overruns above the site limits are covered by the insurance, to a maximum of \$30 million.

8. OTHER LIABILITIES

At December 31, other liabilities consisted of the following:

(thousands of dollars)	1999	1998
Government assistance obligation	\$ 4,700	\$ 4,700
Long-term compensation obligations	3,551	3,172
Other	1,200	1,678
	\$ 9,451	\$ 9,550

During the construction of the Troilus project, \$4.7 million in government assistance was received. This is repayable over a term commencing January 1, 2002 and ending December 31, 2006 based on \$0.30 per tonne of ore milled from the Troilus operation. In the event that certain conditions with respect to permanent infrastructure usage are met, this amount may be forgiven.

The Corporation has provided for obligations with respect to a non-contributory supplementary executive retirement plan.

9. PENSION PLANS

The Corporation maintains both defined benefit and defined contribution pension plans. Pension payments made to retirees in the defined benefit plans are computed based on various factors, including years of service and highest average remuneration in a specified period or a stated amount for each year of service as specified in the plan agreements.

Benefit obligations are updated regularly through actuarial valuations. Best estimate assumptions are used to determine the projected benefit obligations. To determine the present value of accrued pension benefit obligations in 1999 and 1998, the Corporation used a discount rate of eight per cent and up to four per cent for wage and salary escalations.

Pension expense includes the amortization of plan amendments, past service costs and experience gains and losses. These amounts are being amortized on a straight-line basis over the expected average remaining service lives of relevant employees.

At December 31, the funded status of the Corporation's defined benefit pension plans was as follows:

(thousands of dollars)	1999	1998
Plan assets at market value	\$ 48,365	\$ 49,667
Projected benefits based on employment service to date and present pay levels:		
Vested	34,358	35,591
Non vested	181	481
Additional amounts related to compensation increases	360	211
Projected benefit obligations	34,899	36,283
Plan assets in excess of projected benefit obligations	13,466	13,384
Unrecognized net transition asset	(4,700)	(5,086)
Unrecognized gain	(3,134)	(5,801)
Past service improvements	466	505
Prepaid pension asset	\$ 6,098	\$ 3,002
For the years ended December 31, the components of pension income (expense) are as follows:		
Service cost – pension benefits earned during the year	\$ (636)	\$ (286)
Interest cost on projected benefit obligations	(1,292)	(1,238)
Actual return on pension fund assets	680	(801)
Net amortization, deferrals and other	1,887	3,665
Partial windup	–	(595)
Net pension income	\$ 639	\$ 745

10. COMMITMENTS

The Corporation maintains letters of credit and bonds amounting to \$22 million as at December 31, 1999. These instruments provide financial assurance with respect to both performance and financial obligations of the Corporation relating to environmental and other matters. The liabilities to which these instruments relate have been accrued in reclamation liabilities (note 7).

11. CONVERTIBLE DEBENTURES

The convertible debentures have been segregated into their debt and equity components. The financial liability component representing the present value of future interest payments is included in long-term debt. The remaining component representing the value ascribed to both the holders' option to convert the principal balance into common shares and the Corporation's right to pay the principal amount of the debenture in common shares is classified in shareholders' equity. These components have been measured at their respective fair values at the date the convertible debentures were originally issued or acquired.

The components of the convertible debentures at December 31 were as follows:

(thousands of dollars)	Note	1999	1998
Debt component:			
Floating rate series, 2007 maturity		\$ 17,296	\$ 18,753
7.5 per cent series, 1999 maturity		—	8,033
	6	\$ 17,296	\$ 26,786
Equity component:			
Floating rate series, 2007 maturity, net of issue costs of \$1.4 million	11(a)	\$ 30,782	\$ 28,045
7.5 per cent series, 1999 maturity, net of issue costs of \$3.6 million	11(b)	—	113,331
		\$ 30,782	\$ 141,376

(a) The floating rate series convertible subordinated debentures which mature on September 30, 2007 are direct unsecured obligations of the Corporation, are subordinated to all other indebtedness of the Corporation and have a face value of \$64 million. The sum of the liability and equity components, net of issue costs, is \$14.6 million (1998 – \$15.8 million) less than the face value. This amount, which represents the difference between the market value and the face value of the debentures when the Corporation acquired the issuer of the debentures, is accreted as a charge to equity over the remaining term of the instrument, of which \$1.2 million (1998 – \$1.2 million) was charged in 1999. Interest is paid at a rate per annum equal to the greater of (i) five per cent and (ii) one per cent plus the percentage that two times the dividends paid on the common shares in the six months ended on the date six months prior to the interest payment date is of the conversion price.

The debentures are convertible into common shares of the Corporation at the holder's option any time before the earlier of September 29, 2007 and the last business day before the date specified for redemption, at a conversion price of \$21.25 for each common share. The Corporation may adjust the conversion price to \$23.85 provided that the Corporation also fixes the interest rate at six per cent per annum. The debentures are currently redeemable by the Corporation at par.

At the option of the Corporation, it may elect to pay the principal amount of the debentures outstanding at maturity in common shares of the Corporation valued at their average closing market price for the 30 trading days prior to maturity.

Interest expense on the liability component is recorded at an effective interest rate of 9.5 per cent and was \$1.7 million in 1999 (1998 – \$1.9 million). The equity component of the convertible debenture is being accreted to the maturity value at the same effective interest rate through periodic charges to retained earnings. The accretion on the equity component was \$1.5 million (1998 – \$1.3 million). The Corporation paid interest of \$3.2 million in both 1999 and 1998. In certain limited circumstances, the Corporation may elect to pay interest in the form of common shares of the Corporation.

(b) The Corporation repaid the 7.5 per cent series convertible subordinated debentures in cash on April 5, 1999 at the face value of \$125 million. The Corporation paid interest of \$6.5 million in 1999 (1998 – \$9.4 million). Interest expense was \$0.2 million in 1999 (1998 – \$1.2 million) and the accretion charged to retained earnings was \$2.2 million (1998 – \$8.2 million).

12. SHARE CAPITAL

Authorized:

Unlimited number of preferred shares.

Unlimited number of subordinate voting participating shares.

Unlimited number of common shares.

Issued:

(in thousands)	Note	1999		1998	
		Common Shares	Amount	Common Shares	Amount
Balance, beginning of year		38,337	\$ 237,641	103,432	\$ 664,400
Common shares repurchased	12(a)	—	—	(65,095)	(408,498)
Expiry of warrants	12(b)	—	—	—	(18,261)
Balance, end of year		38,337	\$ 237,641	38,337	\$ 237,641

(a) On September 2, 1998, the Corporation acquired 65,095,025 common shares and issued 6,509,390 common share purchase warrants pursuant to a substantial issuer bid. The shares were repurchased for cancellation at a cost, including transaction costs, of \$369.6 million, of which \$408.5 million was charged to share capital, based on the average per share amount in the common share account at the date of purchase. The difference of \$38.9 million was allocated to contributed surplus. Each warrant entitles the holder thereof to purchase one common share of the Corporation for \$5.70 at any time on or before September 5, 2000.

(b) On September 3, 1998, the 11.1 million common share purchase warrants issued in April, 1997 expired, unexercised. On May 4, 1998, the 2.9 million common share purchase warrants issued in May, 1993 expired, unexercised.

(c) In 1997, the Corporation reduced the stated capital of the outstanding common shares and correspondingly reduced the deficit by \$405.3 million.

(d) Under the stock option plan, the Corporation may grant non-assignable options to purchase common shares to directors, officers and certain key executives of the Corporation and its affiliates. Any such option will have an exercise price not less than the closing price on the trading day immediately preceding the date of grant. The options vest over a four year period from the date of the grant and are exercisable over a period of not more than 10 years.

The stock option plan provides that stock appreciation rights may be granted under the plan. Stock appreciation rights may be exercised in lieu of an option and give the holder of an option the right to acquire cash or common shares of the Corporation equal in value to the difference between the exercise price of an option and the market price of the common shares subject to an option on the date on which the stock appreciation right is exercised.

No compensation costs are recognized when the options are issued. Any consideration paid on exercise of the options is credited to share capital.

Changes to stock options outstanding for the year ended December 31 are as follows:

	1999		1998	
	Options (in thousands)	Weighted Average Price	Options (in thousands)	Weighted Average Price
Balance, beginning of year	3,144	\$ 7.96	2,124	\$ 10.00
Options granted	340	2.98	1,230	4.96
Options terminated	(2,024)	9.64	(210)	10.96
Balance, end of year	1,460	\$ 4.47	3,144	\$ 7.96
Available for grant at December 31	540		856	

12. SHARE CAPITAL *(continued)*

At December 31, 1999, the following stock options were outstanding and exercisable:

Outstanding (in thousands)	Exercisable (in thousands)	Exercise Price	Remaining Years Outstanding
890	890	\$ 5.35	8.1
230	58	\$ 3.25	8.8
320 ⁽¹⁾	—	\$ 3.00	9.3
20	—	\$ 2.60	9.9
1,460	948	\$ 4.47	

(1) Subject to shareholder approval in accordance with stock exchange rules.

(e) At December 31, 1999, the Corporation has outstanding share purchase loans receivable, in the amount of \$1.5 million, from certain current and former officers and directors, included in other assets.

(f) The earnings and loss per share are calculated using the weighted average number of common shares outstanding during the year of 38,337,358 (1998 – 81,674,594) adjusted for the accretion on the equity component of convertible debentures.

Fully diluted earnings per common share is calculated using an adjusted number of shares outstanding during the year and an adjusted net income applicable to common shares, which reflect the potential exercise of common share purchase warrants and stock options. In 1999, the fully diluted earnings per share was \$0.76.

In addition, supplementary fully diluted earnings per share has been calculated to reflect the potential conversion of convertible debentures through the issuance of common shares at market price on December 31, 1999. In 1999, the supplementary fully diluted earnings per share was \$0.56.

In 1998, the effect of the above conversions had an anti-dilutive impact on earnings per share from continuing operations, decreasing the loss per share.

13. INVESTMENT AND OTHER INCOME

For the years ended December 31, investment and other income is summarized as follows:

(thousands of dollars)	Note	1999	1998
Interest and other income		\$ 4,991	\$ 11,678
Foreign exchange losses		(1,977)	(284)
Gains (losses) on sale of investments:			
NA	1(a),14	3,596	—
Ovaqik and Perama Hill	1(b)	(3,200)	—
Navachab	1(c)	4,756	—
Antamina	1(d)	—	7,500
Teck	1(f)	—	10,983
		\$ 8,166	\$ 29,877

14. DISCONTINUED OPERATIONS

In 1998, the Corporation sold its 25 per cent joint venture interest in NA, which constituted its copper smelting segment, and sold its 100 per cent interest in WBH, which constituted the Corporation's tungsten segment. As a result of these transactions, the results of operations and the gains on sale of NA and WBH have been shown as discontinued operations in 1998.

15. WRITE DOWN OF MINING PROPERTIES

In 1998, the Corporation recorded write downs of \$37.5 million, of which \$36.3 million related to the shut down of the Winston Lake operation.

16. FINANCIAL INSTRUMENTS**Fair Value of Financial Assets and Financial Liabilities**

The carrying value of cash and short-term investments, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt approximates fair value due to the short term maturities of these instruments.

The Corporation holds cash and marketable short-term investments, which are subject to various risks such as interest rate, credit and liquidity. These risks are mitigated by restricting both the type and term of securities eligible for investment and dealing with highly rated counterparties to reduce settlement risk.

16. FINANCIAL INSTRUMENTS *(continued)*

The following table presents the financial instruments with a carrying value different from their fair value at December 31:

(thousands of dollars)	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Publicly traded investments	\$ 476	\$ 857	\$ 49,805	\$ 65,804
Long-term debt	\$ 26,768	\$ 23,271	\$ 36,465	\$ 33,704

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. The fair value of publicly traded investments is based on quoted market prices. The fair value of the debt portion of convertible instruments is estimated based on discounted cash flows of future interest payments using rates currently available for debentures with similar terms and maturities. The fair value of other long-term debt approximates carrying value as the remaining debt is subject to floating interest rates.

Derivative Financial Instruments

The Corporation manages its exposure to changes in market prices and exchange rates through hedging transactions. Hedging transactions include forward sales contracts and put and call options. The Corporation does not acquire, hold or issue derivative financial instruments for trading purposes.

At December 31, 1999 the Corporation, through its interests in Çayeli and Ok Tedi, has forward contracts to deliver 7,991 tonnes of copper in 2000 at an average price of U.S.\$0.79 per pound. In addition, put option contracts were purchased covering 2,303 tonnes of copper at an average price of U.S.\$0.80 per pound in 2000. These put options contracts were partially financed through the sale of call options maturing in the same period as the put options, granting the holder the right to purchase 1,152 tonnes of copper at an average strike price of U.S.\$0.93 per pound.

Forward contracts for gold in 2000 and 2001 cover 27,195 ounces at an average price of U.S.\$316 per ounce. Forward contracts for silver for the same period cover 120,060 ounces at an average price of U.S.\$5.50 per ounce.

The fair value at December 31, 1999 of the Corporation's share of copper and gold forward contracts was a loss of \$0.7 million.

QUARTERLY REVIEW (UNAUDITED)

1999

(thousands of dollars, except per share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter	Year
Sales	\$ 26,138	\$ 27,141	\$ 32,162	\$ 31,161	\$ 116,602
Cost of sales	(21,338)	(22,750)	(21,890)	(22,823)	(88,801)
Share of earnings (losses) in associated companies	781	898	2,039	(534)	3,184
Exploration	(1,623)	(1,509)	(1,440)	(1,895)	(6,467)
General and administration	(1,254)	(1,168)	(1,571)	(2,222)	(6,215)
Investment and other income	1,982	(433)	5,311	1,306	8,166
Interest expense	(1,369)	(936)	(881)	(829)	(4,015)
Income tax expense	(447)	(284)	(1,939)	(332)	(3,002)
Reduction in provision for reclamation costs	—	—	20,000	—	20,000
Net income	\$ 2,870	\$ 959	\$ 31,791	\$ 3,832	\$ 39,452
Earnings per common share	\$ 0.00	\$ 0.01	\$ 0.81	\$ 0.08	\$ 0.90

1998

(thousands of dollars, except per share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter	Year
Sales	\$ 26,932	\$ 29,015	\$ 31,050	\$ 18,594	\$ 105,591
Cost of sales	(26,539)	(21,084)	(25,214)	(14,611)	(87,448)
Share of earnings (losses) in associated companies	(2,478)	2,084	2,401	(1,019)	988
Exploration	(3,043)	(3,787)	(3,364)	(3,241)	(13,435)
General and administration	(1,527)	(2,402)	(1,373)	(4,568)	(9,870)
Investment and other income	1,577	14,214	12,289	1,797	29,877
Interest expense	(2,256)	(1,806)	(1,872)	(1,644)	(7,578)
Income tax (expense) recovery	(1,146)	1,110	3,437	(387)	3,014
Write down of mining properties	—	—	(1,200)	(36,300)	(37,500)
Earnings (loss) from continuing operations	(8,480)	17,344	16,154	(41,379)	(16,361)
Earnings from discontinued operations	7,643	7,834	872	—	16,349
Gains on sale of discontinued operations	—	—	30,700	350	31,050
Net income (loss)	\$ (837)	\$ 25,178	\$ 47,726	\$ (41,029)	\$ 31,038
Earnings (loss) per common share ⁽¹⁾					
Continuing operations	\$ (0.11)	\$ 0.14	\$ 0.16	\$ (1.15)	\$ (0.33)
Discontinued operations	0.08	0.08	0.38	0.01	0.58
Net income (loss)	\$ (0.03)	\$ 0.22	\$ 0.54	\$ (1.14)	\$ 0.25

(1) Earnings per share has been calculated using a weighted average of shares outstanding for each period.

F I V E Y E A R R E V I E W

Year Ended December 31	1999	1998	1997	1996	1995
Statements of operations (000's)					
Sales	\$ 116,602	\$ 105,591	\$ 141,262	\$ 77,247	\$ 189,494
Cost of sales	(88,801)	(87,448)	(120,180)	(99,639)	(186,460)
Share of earnings in associated companies	3,184	988	1,242	21,962	58,972
Exploration	(6,467)	(13,435)	(16,713)	(30,323)	(23,731)
General and administration	(6,215)	(9,870)	(7,774)	(16,534)	(9,158)
Investment and other income	8,166	29,877	12,596	98,834	27,445
Interest expense	(4,015)	(7,578)	(8,902)	(10,890)	(16,429)
Income tax (expense) recovery	(3,002)	3,014	(6,819)	(4,044)	1,880
Reduction in provision for reclamation costs	20,000	—	—	—	—
Write down of mining properties and other provisions	—	(37,500)	(193,670)	(418,200)	(245,000)
Earnings (loss) from continuing operations	39,452	(16,361)	(198,958)	(381,587)	(202,987)
Earnings from discontinued operations	—	16,349	13,456	17,573	17,074
Gains on sale of discontinued operations	—	31,050	—	—	—
Net income (loss)	\$ 39,452	\$ 31,038	\$ (185,502)	\$ (364,014)	\$ (185,913)
Cash flow (000's)					
Cash and short-term investments, beginning of year	\$ 173,135	\$ 293,591	\$ 229,332	\$ 111,037	\$ 208,893
Cash provided by (used in):					
Operating activities	3,061	5,485	(5,522)	(4,384)	49,902
Investing activities	76,002	249,824	(70,940)	149,512	(181,527)
Financing activities	(158,740)	(389,007)	129,665	(33,939)	33,769
Discontinued operations	—	13,242	11,056	7,106	—
Cash and short-term investments, end of year	\$ 93,458	\$ 173,135	\$ 293,591	\$ 229,332	\$ 111,037
Common share statistics					
Earnings (loss) per share:					
Continuing operations	\$ 0.90	\$ (0.33)	\$ (2.14)	\$ (4.81)	\$ (2.60)
Discontinued operations	—	0.58	0.14	0.22	0.21
Net income (loss)	\$ 0.90	\$ 0.25	\$ (2.00)	\$ (4.59)	\$ (2.39)
Net book value per share at December 31	\$ 5.05	\$ 6.68	\$ 5.80	\$ 7.31	\$ 11.96
Operating cash flow from continuing operations per share	\$ 0.08	\$ 0.07	\$ (0.06)	\$ (0.05)	\$ 0.61
Balance sheets (000's)⁽¹⁾					
Current assets	\$ 152,975	\$ 238,819	\$ 372,990	\$ 263,766	\$ 194,975
Investments	81,381	137,662	176,884	189,535	426,894
Capital assets	72,982	96,106	137,659	293,949	491,705
Other assets	18,535	12,089	10,628	19,178	75,445
Assets of discontinued operations	—	—	323,471	343,397	330,253
	\$ 325,873	\$ 484,676	\$ 1,021,632	\$ 1,109,825	\$ 1,519,272
Current liabilities	\$ 41,023	\$ 101,387	\$ 137,330	\$ 102,542	\$ 108,218
Long-term debt	26,768	36,465	27,158	124,300	209,212
Reclamation and other liabilities	64,569	84,857	106,038	116,436	51,817
Deferred income taxes	—	5,715	3,662	5,579	2,448
Liabilities of discontinued operations	—	—	147,536	167,131	176,407
Shareholders' equity	193,513	256,252	599,908	593,837	971,170
	\$ 325,873	\$ 484,676	\$ 1,021,632	\$ 1,109,825	\$ 1,519,272
Currency exchange rates/Canadian dollar⁽¹⁾					
United States dollar	\$ 1.44	\$ 1.53	\$ 1.43	\$ 1.37	\$ 1.36
Deutschmark	\$ 0.74	\$ 0.92	\$ 0.80	\$ 0.89	\$ 0.95
Papua New Guinea kina	\$ 0.55	\$ 0.74	\$ 0.81	\$ 1.01	\$ 1.02

(1) As at December 31.

P R O D U C T I O N & U N I T C O S T S

Year Ended December 31	1999	1998	1997
PRODUCTION (Inmet's share)			
Copper (tonnes)			
Ok Tedi	33,800	27,300	20,100
Çayeli	19,600	13,300	14,300
Troilus	5,400	4,900	5,100
Other	—	500	1,500
	58,800	46,000	41,000
Pounds of copper per share ⁽¹⁾	3.38	1.24	0.93
Gold (ounces)			
Troilus	168,400	147,000	139,900
Ok Tedi	72,300	74,400	47,400
Other	6,100	13,100	17,600
	246,800	234,500	204,900
Ounces of gold per share ⁽¹⁾	0.006	0.003	0.002
Zinc (tonnes)			
Cayeli	16,000	15,800	17,400
Other	—	9,900	20,300
	16,000	25,700	37,700
Pounds of zinc per share ⁽¹⁾	0.92	0.69	0.85
UNIT COSTS			
Çayeli (U.S.\$ per pound of copper)			
Direct cash costs	\$ 0.32	\$ 0.37	\$ 0.39
Processing charges	0.50	0.65	0.89
Metal credits	(0.42)	(0.56)	(0.77)
Cash cost	0.40	0.46	0.51
Amortization and other non cash costs	0.04	0.04	0.02
Total cost	\$ 0.44	\$ 0.50	\$ 0.53
Troilus (U.S.\$ per ounce of gold)			
Direct cash costs	\$ 250	\$ 256	\$ 278
Processing charges	39	50	62
Metal credits	(58)	(61)	(81)
Cash cost	231	245	259
Amortization and other non cash costs	10	6	73
Total cost	\$ 241	\$ 251	\$ 332
Ok Tedi (U.S.\$ per pound of copper)			
Direct cash costs	\$ 0.59	\$ 0.59	\$ 0.64
Processing charges	0.24	0.29	0.34
Metal credits	(0.28)	(0.37)	(0.38)
Cash cost	0.55	0.51	0.60
Amortization and other non cash costs	0.21	0.21	0.19
Total cost	\$ 0.76	\$ 0.72	\$ 0.79

(1) Based on weighted average shares outstanding.

DIRECTORS & OFFICERS

DIRECTORS

William James

Toronto, Ontario

Member of Safety, Health

and Environment Committee

Chairman of the Board,

Inmet Mining Corporation

Director since 1996

Richard A. Ross

Nobleton, Ontario

President and Chief Executive Officer,

Inmet Mining Corporation

Director since 1999

Allen Born

Denver, Colorado

Chairman of Born Investments, LLC

Director since 1997

Paul E. Gagné

Senneville, Quebec

Member of Audit Committee,

Compensation Committee and Safety,

Health and Environment Committee

Consultant, Corporate Strategy & Acquisitions,

Kruger Inc.

Director since 1996

Thomas E. Kierans

Toronto, Ontario

Member of Compensation Committee

Chair of the Canadian Institute for Advanced

Research (CIAR)

Director since 1996

Anthony J. Petrina

Vancouver, British Columbia

Member of Nominating Committee

Corporate Director

Former President and Chairman

of the Executive Office,

Placer Dome Inc.

Director since 1994

Alfred Powis

Toronto, Ontario

Member of Audit Committee and Safety,

Health and Environment Committee

Corporate Director

Former Chairman, Noranda Inc.

Director since 1997

Harry Steele

Dartmouth, Nova Scotia

Member of Nominating Committee

Chairman and Chief Executive Officer,

Newfoundland Capital Corporation Limited

Director since 1997

James M. Tory

Toronto, Ontario

Member of Audit Committee, Compensation

Committee, Nominating Committee and

Safety, Health and Environment Committee

Counsel, Torys (Barristers and Solicitors)

Director since 1987

OFFICERS

Richard A. Ross

President and Chief Executive Officer

Frank Balint

Vice-President, Corporate Development

Oliver R. E. Merton

Vice-President, Commercial

Scott A. Oen

Vice-President, Finance

and Chief Financial Officer

Peter C. Rozee

Vice-President, Corporate Affairs

and Secretary

Jo-Anne Sayers

Vice-President, Controller

Jochen E. Tilk

Vice-President, Operations

C O R P O R A T E I N F O R M A T I O N

Corporate Office

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Web site: www.inmetmining.com

Investor Relations

For information about the Corporation and copies of the annual and quarterly reports and other corporate publications contact the Corporate Office, Investor Relations.

Version française

Pour obtenir la version française de ce rapport, veuillez communiquer avec le bureau administratif de la compagnie, département des services aux actionnaires.

Auditors

KPMG LLP
Chartered Accountants
Toronto, Ontario, Canada

Shareholder Inquiries

Inquiries with respect to changes of address or registration and lost share certificates should be directed to the Stock Transfer Department of CIBC Mellon Trust Company in Toronto, Montreal, Winnipeg, Calgary, Vancouver or London, England. Alternatively, our Transfer Agent may be reached at:

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P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, Canada
M5C 2W9

Answer Line™:
416-643-5500 or toll free in
North America at 1-800-387-0825
Fax: 416-643-5501
Email: inquiries@cibcmellon.ca
Web site: www.cibcmellon.ca

Stock Symbol

IMN

Stock Exchange Listing

The Toronto Stock Exchange

Common Shares

(thousands)	1999	1998
As at December 31	38,337	38,337
Average for the year ended December 31	38,337	81,675

Annual Meeting

Inmet's Annual Meeting will be held in Toronto on May 2, 2000.

INMET
MINING

www.inmetmining.com